

Five-year Operating Plan

Including fund-specific
working capital targets

City of Shoreview, Minnesota

December 2011

Prepared by Department of Finance



EXECUTIVE SUMMARY

Introduction

Long-term financial planning has been a part of the normal business process in Shoreview for more than two decades. It started in the late 1980s with a street replacement plan, and expanded into a comprehensive infrastructure replacement policy by 1992. Through the City's annual Comprehensive Infrastructure Replacement Plan (CHIRP) the City routinely updates capital replacement estimates for a minimum of 40 years; identifies revenue sources to support capital costs; and evaluates the impact of capital costs on inter-fund charges, property tax levies and user fees. The CHIRP policy ensures that capital replacement planning remains a vital and ongoing effort.

Beginning in 2009 Shoreview expanded its long-term financial planning efforts to include a Five-year Operating Plan (FYOP), and will adopt its first biennial budget in December of 2012 (for calendar years 2012 and 2013).

This Five-year Operating Plan (FYOP) document contains 3 years of history for each fund, a revised estimate for the current year (2011) and projections for the next 5 years (2012 through 2016). The document also:

- Provides a comprehensive summary and strategy for each fund
- Serves as a supplement to the Biennial Budget, Capital Improvement Program (CIP), and CHIRP
- Estimates potential debt issuance
- Determines necessary tax levy support
- Evaluates future changes in user fees
- Measures the impact of capital projects on operating budgets
- Outlines fund balance goals (an important component of financial stability)
- Predicts fund performance
- Analyzes working capital levels (fund balances) and establishes working capital targets

These long-term financial planning efforts are important steps in protecting the financial flexibility and health of the City through policies that support decision-making, practices that prevent the use of one-time revenues to support ongoing operating expenses, analysis that considers long-term maintenance and operating costs when planning and evaluating capital projects, and document how the City implements its commitment to balanced operations where revenues support operating costs.

Whether these efforts are successful is reflected in how well the City:

- Adapts to changing conditions
- Avoids temporary solutions that cannot be sustained
- Responds to unanticipated events and challenges
- Supports operations with limited new development
- Ensures continuation of essential services
- Protects asset condition
- Navigates economic cycles
- Secures and maintains a high bond rating, thereby reducing borrowing costs
- Prepares for the future
- Moderates changes in tax levies and user fees
- Avoids short-term borrowing to support operations

Fund Balances

Management of fund balance levels is an important part of long-range financial planning, therefore a basic understanding about what fund balances are is helpful in order to understand fund goals. From an accounting perspective, fund balances are simply the difference between assets and liabilities. In general, fund balances give an indication of financial resources available to support ongoing operations. Historically, many terms have been used to describe fund balance, and Governmental Accounting Standards prescribe the use of different terms within the annual financial report. In addition, the terms are changing as financial reporting standards evolve. Some of the terms used now or in the past include: net assets, fund equity, and fund balance; and terms used to describe specific components may include designated, assigned, reserved, committed etc.

Regardless of the terms used, determining adequate fund balance levels can be a challenging task for both policy makers and management professionals.

Shoreview's fund balance goals are established considering the unique circumstances of each fund, with the goal of protecting the provision of City services to the public. Fund balance goals are stated as working capital targets, and are designed to:

1. Provide working capital for operations and capital costs
2. Develop financial flexibility
3. Preserve flexibility for unanticipated events

Working capital needs create special circumstances in some operating funds. For instance, property tax receipts in the General Fund provide 78% of total revenue, and are received twice per year (in July and December). Consequently, the General Fund supports ongoing operations for nearly 6 months of the year before the first receipt of its largest revenue source. In this case, fund balances provide necessary working capital to avoid cash deficits and short-term borrowing. For the purpose of measuring working capital in this document, fund balances are evaluated by the number of months or years of operating coverage. This calculation includes operating and debt service costs, and may also include capital outlay and transfers to other funds if they have a significant impact on the fund.

Financial flexibility provides benefits such as financing a portion of capital costs without borrowing, providing interest income for operating and capital funds, and insulating the City from temporary revenue shortfalls or unexpected one-time costs. These benefits help the City moderate changes in levies and user fees over time, and protect service levels from cuts dictated by one-time events.

Unanticipated events or emergencies can create temporary cash flow challenges for a City. Recent examples for Shoreview include state aid cuts, emergency utility system repairs, community-wide cleanup associated with storm damage, extended periods of drought, sustained periods of heavy rainfall, and economic conditions/pressures.

Operating Assumptions

As stated earlier, the process of determining appropriate fund balances involves an examination of past performance as well as future operating projections. By understanding the challenges of the past and future, coupled with potential opportunities, a strong set of operating goals and objectives can emerge and guide decision-making.

Since any set of projections also employs the use of assumptions, it is important to note that projections were based on several key factors. These include actual contribution rates where known, industry estimates, anticipated contract changes, capital projections, expected debt issuance and inflationary factors. In general, costs were inflated between 0% and 10%. Some of the key assumptions used to assemble these projections include:

- No new development is projected in the next 5 years
- Population remains stable, with slight declines due to a reduction in residents per household
- Full-time wage adjustments are limited to 1% for 2012, 2% for 2013 and 2014, and a tentative estimate of 3% is used for 2015 and beyond
- Health insurance costs rise between 6.5 and 7% per year, and account for 20% to 30% of the rise in personal services annually
- Liability and workers compensation insurance premiums rise an average of 7% per year
- Most contractual costs are expected to rise between 0% and 3% per year, while police and fire contracts, central garage charges, fuel and utility costs are expected to rise between 3% and 8% per year
- Property values are projected to drop 4.6% for 2012, 2% for 2013, and hold steady for 2014 and 2015
- Modest property value increases of 2% per year are projected beginning in 2016

The format of this document includes a discussion for each fund, including a set of projections (in table form), graphs to help illustrate operating results, a brief narrative examination of past performance, and specific goals/targets tailored for the fund.

Levy, Value and Tax Rate Projections

A number of factors determine the final property tax bill, including the tax levies for each local jurisdiction, state aids and credits, levy limits, special levies, property values, metro-wide pooling of commercial/industrial values (known as fiscal disparities), and tax rates. This section provides a brief overview of these factors.

Property tax levies provide support for General Fund operations, general obligation debt, and capital funds. The table on the next page provides a four-year historical review of levy and value changes as well as consolidated predictions based on individual fund projections included in this document.

Homestead Market Value Exclusion (HMVE)—Beginning in 2012 the State of Minnesota replaced the Market Value Homestead Credit (MVHC) program with a Homestead Market Value Exclusion (HMVE) program, which excludes a portion of homestead property value from property taxes. The amount of excluded value is equal to 40% of the first \$76,000 in home value, less 9% of the value over \$76,000 but less than \$413,800. No exclusion is given for homes above \$413,800.

Home Value	Excluded Value	Percent of Value Excluded
\$ 76,000	\$ 30,400	40.0%
\$ 100,000	\$ 28,240	28.2%
\$ 150,000	\$ 23,740	15.8%
\$ 200,000	\$ 19,240	9.6%
\$ 235,700	\$ 16,027	6.8%
\$ 250,000	\$ 14,740	5.9%
\$ 300,000	\$ 10,240	3.4%
\$ 350,000	\$ 5,740	1.6%
\$ 400,000	\$ 1,240	0.3%
\$ 413,800	\$ -	0.0%

Levy Limits—During some years State statutes place restrictions on local government levies through levy limits. Although the City is not subject to a levy limit for 2012, it is important to note that Shoreview has levied below the maximum allowed levy in recent years. Shoreview's levy was \$211,327 below the maximum for 2010 and \$364,703 below the maximum for 2011.

Tax Levy—Even though the largest share of the tax levy is allocated to the General fund, over the last 8 years (since 2004) the General Fund share of the tax levy has declined from a high of 77% in 2004 to a low of 69% for 2012, while the combined debt service and capital share of the tax levy has risen from 23% in 2004 to 31% for 2012. This trend is expected to continue in the future due to increased repair and replacement costs.

Declining Values—Between 2004 and 2008, both market values and taxable values increased an average of 9.9% per year. Since 2008 the economic climate has resulted in declining property values, and further reductions are expected to continue through 2013. Preliminary information from the county assessor indicates that property values for 2012 taxes are expected to decline about 4.6%. The projections in this document assume that values will drop another 2% for 2013, hold constant for 2 years, followed by modest increases of about 2% per year.

Fiscal Disparities—The fiscal disparities formula, provided in State Statutes, takes 40% of the value of new commercial and industrial development in the metro area and redistributes the value back to each community based on a formula. The result is either a net gain or net loss in tax dollars from the pool.

Shoreview's share of the metro-wide fiscal disparities pool decreased in 2005 and 2006, most likely due to new construction at the Rice Creek Corporate Park. Shoreview's share of the pool has increased between .6% and 13.9% per year since 2006, and will decrease over the next two years.

Tax Rates—The tax rate measures the combined change in levies and values. Because values generally grew faster than the tax levy from 2005 to 2008, the tax rate dropped. Since values have dropped and levies have grown since then, the tax rate has risen each year since 2008. For the future, the expected decline in market values and the projected rise in the City's levy, result in higher tax rates. As market values begin to recover, the growth in the tax rate is expected to slow by the year 2016.

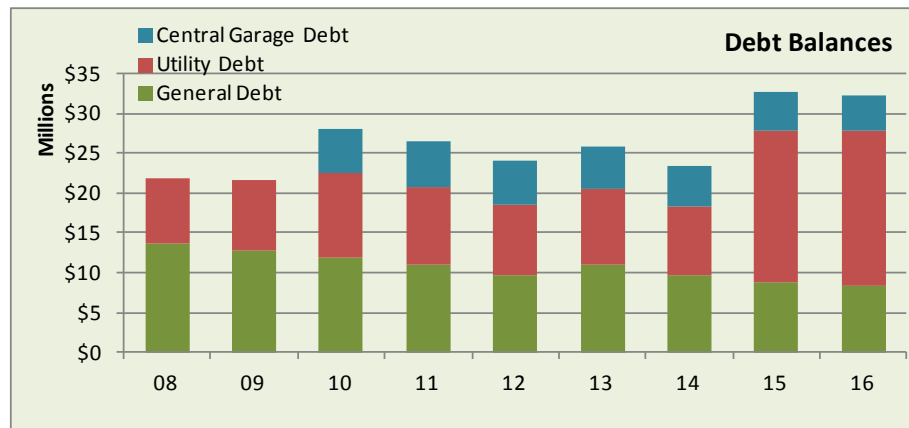
Levy and Value Projections	2008 Adopted	2009 Adopted	2010 Adopted	2011 Adopted	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Tax Levy									
General fund (net of lost MVHC)	\$ 5,864,176	\$ 6,017,590	\$ 6,228,739	\$ 6,345,734	\$ 6,467,060	\$ 6,717,037	\$ 7,045,956	\$ 7,348,064	\$ 7,667,957
EDA	-	-	-	25,000	55,000	60,000	50,000	55,000	60,000
HRA	-	-	50,000	60,000	70,000	75,000	80,000	85,000	90,000
Debt-All Debt Funds (combined)	600,000	553,000	565,000	527,000	442,026	501,000	531,000	537,000	557,000
Debt-Central Garage Fund	-	-	-	98,000	216,000	184,000	184,000	208,000	208,000
Capital project-Street Renewal Fund	600,000	650,000	700,000	750,000	800,000	850,000	900,000	950,000	1,000,000
Capital project-General Fixed Asset Fund	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000	1,350,000	1,400,000
Capital project-Capital Impr. Fund	120,000	80,000	90,000	100,000	110,000	120,000	130,000	145,000	160,000
Total Levy (net of MVHC loss)	\$ 8,184,176	\$ 8,350,590	\$ 8,733,739	\$ 9,055,734	\$ 9,360,086	\$ 9,757,037	\$ 10,220,956	\$ 10,678,064	\$ 11,142,957
Market Value (millions)	\$ 3,276.2	\$ 3,198.3	\$ 3,015.6	\$ 2,838.6	\$ 2,708.5	\$ 2,650.0	\$ 2,650.0	\$ 2,650.0	\$ 2,703.0
Taxable Value (millions)	\$ 32.6	\$ 31.4	\$ 29.6	\$ 27.6	\$ 25.4	\$ 24.9	\$ 24.9	\$ 24.9	\$ 25.5
Fiscal Disparities/City	\$ 655,967	\$ 747,308	\$ 832,802	\$ 866,880	\$ 838,214	\$ 828,324	\$ 885,364	\$ 925,551	\$ 988,865
Fiscal Disparities/HRA	\$ -	\$ -	\$ -	\$ 5,304	\$ 5,407	\$ 5,400	\$ 5,400	\$ 5,400	\$ 5,400
Tax Rate/City	23.532	25.129	27.569	30.671	33.226	35.514	37.126	38.779	39.467
Tax Rate/HRA	-	-	0.169	0.198	0.254	0.279	0.299	0.319	0.332
Annual Change in City Tax Levy									
General fund (net of MVHC loss)	\$ 94,572	\$ 153,414	\$ 211,149	\$ 116,995	\$ 121,326	\$ 249,977	\$ 328,919	\$ 302,108	\$ 319,893
EDA and HRA (combined)	-	-	50,000	35,000	40,000	10,000	(5,000)	10,000	10,000
Debt (all funds combined)	18,000	(47,000)	12,000	60,000	33,026	26,974	30,000	30,000	20,000
Capital project funds-replacements	200,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Capital project funds-improvements	40,000	(40,000)	10,000	10,000	10,000	10,000	10,000	15,000	15,000
Total Change in Tax Levy	\$ 352,572	\$ 166,414	\$ 383,149	\$ 321,995	\$ 304,352	\$ 396,951	\$ 463,919	\$ 457,108	\$ 464,893
Percent Change/Tax Data									
Market Value	4.84%	-2.38%	-5.71%	-5.87%	-4.58%	-2.16%	0.00%	0.00%	2.00%
Taxable Value	4.67%	-3.56%	-5.67%	-6.74%	-8.07%	-1.90%	0.00%	0.00%	2.29%
Fiscal Disparities	13.31%	13.92%	11.44%	4.09%	-3.31%	-1.18%	6.89%	4.54%	6.84%
City Tax Levy (net of MVHC cuts)	4.50%	2.03%	4.59%	3.69%	3.36%	4.24%	4.75%	4.47%	4.35%
City Tax Rate	1.00%	6.79%	9.71%	11.25%	8.33%	6.89%	4.54%	4.45%	1.77%
HRA Tax Levy (net of MCHC cuts)				20.18%	21.25%	7.14%	6.67%	6.25%	5.88%
HRA Tax Rate				17.16%	28.28%	9.84%	7.17%	6.69%	4.08%

Combined Debt Projections

Balancing the use of current resources and bonded debt for financing capital projects is an important aspect of capital project and debt management. Maintaining stable revenue sources and sufficient fund balances allows the City to finance some projects internally, and therefore promotes flexibility.

Debt Balances—The graph below, and the table on the next page provides a consolidated summary of outstanding debt as of December 31, 2011:

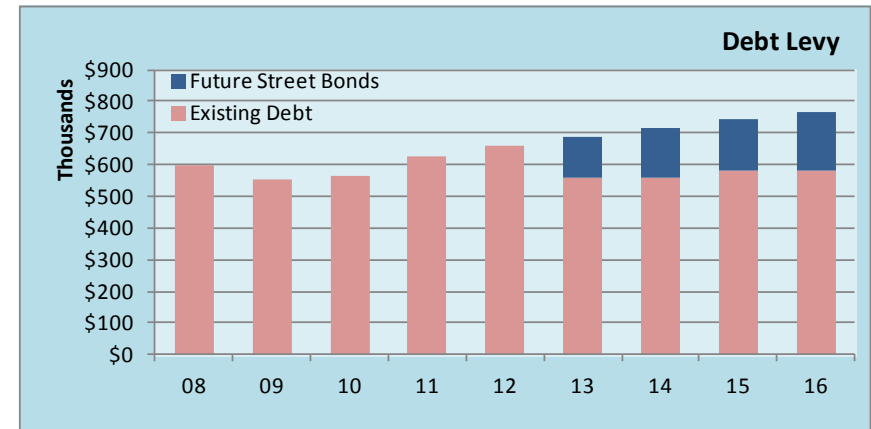
G.O. Improvement Bonds (assessments)	\$ 1,350,000
G.O. Tax Increment Bonds	1,830,000
G.O. Capital Plan Bonds (fire stations)	1,075,000
G.O. Street Improvement Bonds (streets)	2,015,000
Certificates of Participation (comm. center)	4,620,000
G.O. Capital Plan Bonds (maint. center)	5,615,000
G.O. Revenue Bonds (utility systems)	<u>9,935,000</u>
Total Existing Debt	\$26,440,000



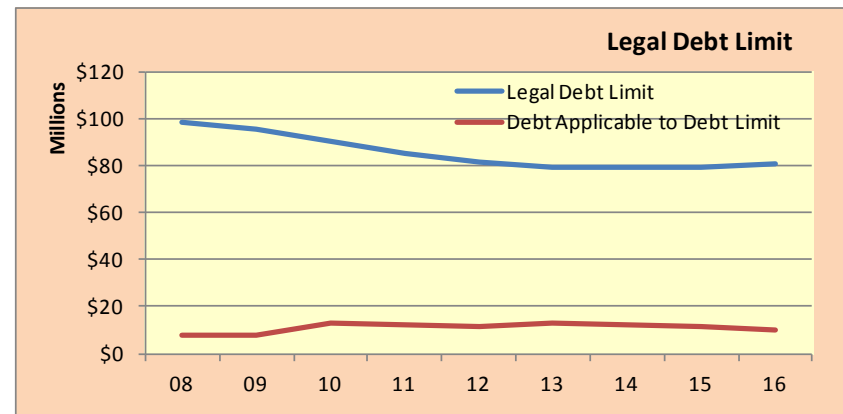
Projected debt issuance over the next 5 years includes:

G.O. Improvement Bonds (assessments)	\$ 1,110,000
G.O. Street Improvement Bonds (streets)	2,500,000
G.O. Revenue Bonds (water treatment plant)	9,000,000
G.O. Revenue Bonds (utility systems)	<u>5,130,000</u>
Total Planned Debt	\$17,740,000

Debt Levy—The debt portion of the tax levy supports principal and interest payments on general obligation bonds, including: fire station bonds, street bonds, and the tax-supported share of the maintenance center bonds. As shown in the graph below, the only planned increase in the debt levy is for future street bonds.



Debt Limit—Minnesota statutes limit the amount of debt a City may issue for general obligation purposes. Shoreview's current debt is 14% of the debt limit, leaving 86% available. Planned issuance of street bonds in 2012 will decrease the available margin to 83%, and as debt payments occur the margin will gradually increase. The stability of this favorable measure, even with projected debt issuance, provides an indication of Shoreview's financial flexibility (historically using debt to finance a relatively small share of the costs planned as part of the annual CIP).



Debt Related Projections	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Debt Balances									
General Obligation Bonds									
Improvement	\$ 1,835,000	\$ 1,765,000	\$ 1,610,000	\$ 1,350,000	\$ 1,065,000	\$ 1,215,000	\$ 1,040,000	\$ 1,210,000	\$ 1,530,000
Tax Increment	2,845,000	2,510,000	2,180,000	1,830,000	1,320,000	690,000	350,000	-	-
Fire Stations *	1,360,000	1,270,000	1,175,000	1,075,000	975,000	870,000	760,000	645,000	525,000
Street Improvements *	2,435,000	2,300,000	2,160,000	2,015,000	1,865,000	4,210,000	3,925,000	3,630,000	3,320,000
Total General Bonds	8,475,000	7,845,000	7,125,000	6,270,000	5,225,000	6,985,000	6,075,000	5,485,000	5,375,000
General Obligation Bonds									
Maintenance Center *	-	-	5,615,000	5,615,000	5,515,000	5,270,000	5,025,000	4,775,000	4,520,000
General Obligation Revenue Bonds									
Water Improvement	5,210,000	4,895,000	5,710,000	5,250,000	4,700,000	5,125,000	4,710,000	14,095,000	13,860,000
Sewer Improvement	1,370,000	1,315,000	2,220,000	2,130,000	1,985,000	1,830,000	1,670,000	2,225,000	2,215,000
Surface Water Improvement	1,485,000	2,555,000	2,780,000	2,555,000	2,300,000	2,550,000	2,265,000	2,820,000	3,360,000
Total Utility Bonds	8,065,000	8,765,000	10,710,000	9,935,000	8,985,000	9,505,000	8,645,000	19,140,000	19,435,000
Total Bonded Debt	16,540,000	16,610,000	23,450,000	21,820,000	19,725,000	21,760,000	19,745,000	29,400,000	29,330,000
Community Center Expansion *	5,190,000	4,940,000	4,680,000	4,620,000	4,330,000	3,985,000	3,635,000	3,275,000	2,910,000
Total Combined Debt	\$ 21,730,000	\$ 21,550,000	\$ 28,130,000	\$ 26,440,000	\$ 24,055,000	\$ 25,745,000	\$ 23,380,000	\$ 32,675,000	\$ 32,240,000
Debt Limit Information									
Market value in ensuing year (millions)	\$ 3,276.2	\$ 3,198.3	\$ 3,015.6	\$ 2,838.6	\$ 2,708.5	\$ 2,650.0	\$ 2,650.0	\$ 2,650.0	\$ 2,703.0
Debt Limit Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Debt Limit	\$98,286,960	\$95,948,310	\$90,467,340	\$85,157,310	\$81,253,800	\$79,500,000	\$79,500,000	\$79,500,000	\$81,090,000
Debt Applicable to Debt Limit	\$ 8,075,009	\$ 7,611,185	\$12,747,163	\$12,450,595	\$11,805,924	\$13,211,099	\$12,194,758	\$11,201,807	\$10,139,808
Debt Margin Available	\$90,211,951	\$88,337,125	\$77,720,177	\$72,706,715	\$69,447,876	\$66,288,901	\$67,305,242	\$68,298,193	\$70,950,192
Percent Debt Margin Used	8.2%	7.9%	14.1%	14.6%	14.5%	16.6%	15.3%	14.1%	12.5%
Percent Debt Margin Available	91.8%	92.1%	85.9%	85.4%	85.5%	83.4%	84.7%	85.9%	87.5%
Debt Levy by Type of Debt									
Improvement -existing	\$ 230,000	\$ 198,000	\$ 188,000	\$ 150,000	\$ 67,026	\$ -	\$ -	\$ -	\$ -
Fire Station-existing	145,000	145,000	145,000	145,000	143,000	143,000	143,000	143,000	143,000
Street Improvements-existing	225,000	210,000	232,000	232,000	232,000	232,000	232,000	232,000	232,000
Maintenance Center-existing	-	-	-	98,000	216,000	184,000	184,000	208,000	208,000
Sub-total Levies for Existing Debt	600,000	553,000	565,000	625,000	658,026	559,000	559,000	583,000	583,000
Street Improvements-future	-	-	-	-	-	126,000	156,000	162,000	182,000
Total Debt Levies	\$ 600,000	\$ 553,000	\$ 565,000	\$ 625,000	\$ 658,026	\$ 685,000	\$ 715,000	\$ 745,000	\$ 765,000
Change in Debt Levies	\$ 18,000	\$ (47,000)	\$ 12,000	\$ 60,000	\$ 33,026	\$ 26,974	\$ 30,000	\$ 30,000	\$ 20,000

Combined Debt Service Funds

Debt Service funds account for revenue dedicated for payment of debt as well as principal and interest payments (excluding debt accounted for in utility or internal service funds).

Impacts

- Revenue in support of debt payments for 2012 is derived from transfers in (64%), property taxes (28%), special assessments (7%) and interest earnings (1%)
- Transfers for debt payments are from the General Fund (\$100,000), TIF #2/City Center Fund (\$573,000), General Fixed Asset Replacement Fund (\$180,000) and the Capital Improvement Fund (\$165,000)
- Transfers to or from the Closed Debt Fund are intended to close out balances for retired debt (\$1,490)

Performance/History

- Operating coverage equal to 10 to 14 months
- Advance refunding of the 2002 Certificates of Participation in 2011, saving more than \$200,000 in interest costs on a net present value basis

Fund Goals/Targets

- Preserve a minimum of 6 months of operating coverage
- Hold General fund support for debt payments to \$100,000 per year until retirement of the community center expansion debt, then reduce General fund support to zero

Debt Policy

Outstanding debt and the annual principal and interest payments are important long-term obligations that must be managed within available resources. This includes balancing debt levels, determining the timing for debt issuance, and managing the resources dedicated to debt payment.

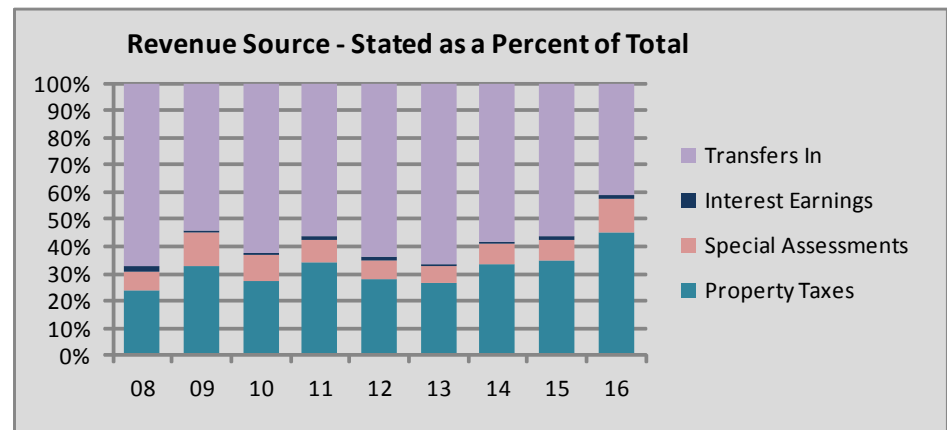
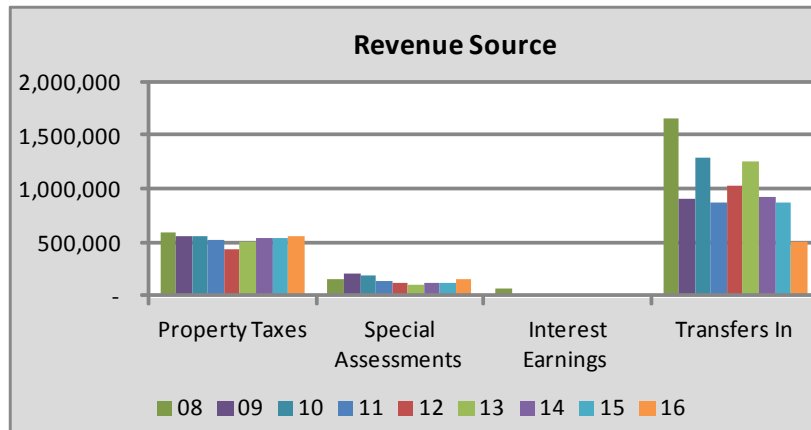
The issuance of debt is an important tool in financing large capital costs, and enables the City to balance the present need for capital spending with the benefit provided to existing and future citizens. If all capital costs were financed only through current revenue sources, the cost to current residents would represent an unnecessarily high burden, because assets that will serve the community well into the future would be paid for with fees and levies collected in the current year. Conversely, if all capital costs were supported exclusively by the issuance of debt, then debt balances rise to much higher levels, and interest costs take up a larger share of the operating budget. Therefore, balancing current resources and long-term financing is an important aspect of debt management.

Shoreview's debt policy states that the City will:

- Remain in compliance with statutory debt limits
- Plan and direct use of debt so that payments are manageable
- Seek to maintain the highest possible credit rating without compromising the delivery of essential services
- Prepare long-term financial planning
- Take advantage of lower interest rates through debt restructuring when appropriate
- Provide developer assistance through the use of "pay as you go financing" in the form of tax increment financing (TIF) notes, and that TIF debt will be issued only for the construction of City assets and where a consistent and reliable revenue stream is identified in advance

The debt policy also addresses debt structure, professional advisors, and debt management practices (investment of proceeds, financial disclosure, arbitrage rebate and monitoring).

Debt Funds	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Property Taxes	\$ 589,147	\$ 547,952	\$ 559,630	\$ 527,000	\$ 442,026	\$ 501,000	\$ 531,000	\$ 537,000	\$ 557,000
Special Assessments	157,872	206,003	198,783	132,222	115,865	107,971	116,129	118,931	158,933
Interest Earnings	60,424	18,869	6,503	17,800	17,850	19,050	17,850	17,105	15,750
Total Revenue	807,443	772,824	764,916	677,022	575,741	628,021	664,979	673,036	731,683
Expense									
Debt Service	2,321,827	1,650,527	1,632,081	1,796,164	1,743,547	1,718,741	1,641,448	1,611,889	1,266,396
Total Expense	2,321,827	1,650,527	1,632,081	1,796,164	1,743,547	1,718,741	1,641,448	1,611,889	1,266,396
Other Sources (Uses)									
Debt Proceeds	19,225	2,819	-	4,620,000	-	20,000	-	10,000	-
Debt Refunded	(1,085,000)	-	-	(4,410,000)	-	-	-	-	-
Transfers In	1,650,496	901,872	1,287,109	872,850	1,019,490	1,247,286	923,617	874,042	510,854
Transfers Out	-	(2,872)	(288)	(2,850)	(1,490)	(126,000)	(100,617)	(54,000)	(55,854)
Net Change	(929,663)	24,116	419,656	(39,142)	(149,806)	50,566	(153,469)	(108,811)	(79,713)
Fund Equity, beginning	2,373,964	1,444,301	1,468,417	1,888,073	1,848,931	1,699,125	1,749,691	1,596,222	1,487,411
Fund Equity, ending	\$ 1,444,301	\$ 1,468,417	\$ 1,888,073	\$ 1,848,931	\$ 1,699,125	\$ 1,749,691	\$ 1,596,222	\$ 1,487,411	\$ 1,407,698
Fund equity percent of expense	87.5%	90.0%	105.1%	106.0%	98.9%	106.6%	99.0%	117.5%	110.4%
Months of operating coverage	10.5	10.8	12.6	12.7	11.9	12.8	11.9	14.1	13.2
Expense percent change	3.9%	-28.9%	-1.1%	10.1%	-2.9%	-1.4%	-4.5%	-1.8%	-21.4%
Average annual percent change				-3.4%					-6.4%
Tax Levy percent change	1.3%	-7.0%	2.1%	-5.8%	-16.1%	13.3%	6.0%	1.1%	3.7%
Average annual percent change				11.1%					1.6%

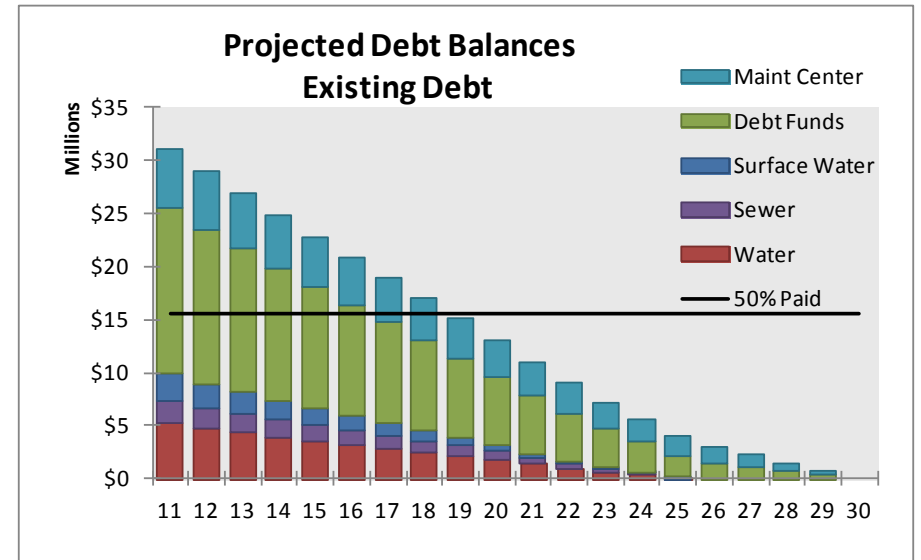


Debt Balance Projections

Over the next 6 years (by the end of 2017) approximately 40% of the City's current outstanding debt will be retired, and more than 65% will be retired within 10 years. This is considered a very favorable indicator by bond rating agencies.

General Obligation debt is retired at a slightly faster rate with 57% retired over the next 5 years and 90% retired within 10 years.

Enterprise (utility funds) and Internal Service (maintenance center) debt is retired over a slightly longer period due to the long-term nature of utility systems, and new debt issued in 2010 for maintenance center renovations.



Year	Debt Balances as of Year End					Total All Debt	Percent Paid
	G.O. Water	G.O. Sewer	G.O. Surface Water	G.O. Maint Center	Debt Funds		
2011	\$5,250,000	\$2,130,000	\$2,555,000	\$5,615,000	\$15,550,000	\$31,100,000	
2012	4,700,000	1,985,000	2,300,000	5,515,000	14,500,000	29,000,000	6.8%
2013	4,335,000	1,830,000	2,040,000	5,270,000	13,475,000	26,950,000	13.3%
2014	3,960,000	1,670,000	1,775,000	5,025,000	12,430,000	24,860,000	20.1%
2015	3,605,000	1,505,000	1,545,000	4,775,000	11,430,000	22,860,000	26.5%
2016	3,260,000	1,335,000	1,310,000	4,520,000	10,425,000	20,850,000	33.0%
2017	2,920,000	1,200,000	1,120,000	4,255,000	9,495,000	18,990,000	38.9%
2018	2,570,000	1,060,000	925,000	3,985,000	8,540,000	17,080,000	45.1%
2019	2,210,000	915,000	725,000	3,705,000	7,555,000	15,110,000	51.4%
2020	1,830,000	770,000	520,000	3,420,000	6,540,000	13,080,000	57.9%
2021	1,435,000	620,000	305,000	3,125,000	5,485,000	10,970,000	64.7%
2022	1,030,000	460,000	215,000	2,820,000	4,525,000	9,050,000	70.9%
2023	680,000	320,000	120,000	2,505,000	3,625,000	7,250,000	76.7%
2024	395,000	200,000	75,000	2,180,000	2,850,000	5,700,000	81.7%
2025	95,000	75,000	30,000	1,845,000	2,045,000	4,090,000	86.8%
2026	-	-	-	1,500,000	1,500,000	3,000,000	90.4%
2027	-	-	-	1,145,000	1,145,000	2,290,000	92.6%
2028	-	-	-	775,000	775,000	1,550,000	95.0%
2029	-	-	-	395,000	395,000	790,000	97.5%
2030	-	-	-	10	-	-	100.0%

Summary of Working Capital Targets

Depending on the timing of receipts for each fund, and the impact of debt payments and capital costs on cash flow, working capital targets generally fall into 4 different targeted levels. Governmental Funds maintain 5 to 6 months coverage if revenue is received semi-annually, and 3 months if revenue is received monthly or quarterly. Enterprise and Internal Service Funds maintain 6 to 8 months coverage, and 2 to 3 years if the primary expense for the fund results from insurance claims.

Fund targets are used when establishing tax levies and user fees during the budget process, and assist the City in determining how one-time revenues may serve the City to improve fund balances, or support one-time capital costs in an effort to reduce demands on permanent capital project funds. A more detailed description of the targets for each fund is provided along with the discussion of each fund, and a summary of working capital targets is provided in the table below.

Fund	Basis	Target	Actual			Estim.	Budget	
			2008	2009	2010	2011	2012	2013
General Fund	months	5.0	5.5	5.5	5.6	5.6	5.4	5.2
Special Revenue Funds								
Recycling	months	5.0	1.0	1.2	1.6	2.3	3.0	3.7
Community Center	months	3.0	1.9	2.4	3.0	3.6	4.0	3.8
Recreation Programs	months	3.0	2.4	2.9	3.9	4.3	4.5	3.8
Cable TV	months	3.0	11.5	9.6	8.2	7.6	7.9	7.8
EDA	months	5.0	21.9	8.7	2.2	3.8	4.8	6.4
HRA	months	5.0	n/a	n/a	2.7	5.0	7.8	10.3
Slice of Shoreview	months	6.0	0.8	3.3	7.4	7.4	7.2	6.8
Debt Funds (combined)	months	6.0	10.5	10.8	12.6	12.7	11.9	12.8
Enterprise Funds								
Water	months	8.0	13.7	14.7	14.0	11.7	10.4	13.4
Sewer	months	6.0	7.3	6.2	7.2	6.6	6.7	6.6
Surface Water	months	6.0	5.9	9.8	9.4	5.7	*2.6	5.1
Street Lighting	months	6.0	5.0	4.8	5.0	4.6	4.5	4.8
Internal Service Funds								
Central Garage	months	6.0	3.0	*0.9	6.6	7.2	9.0	9.7
Short-term Disability	years	3.0	6.4	6.6	6.5	6.5	6.5	6.5
Liability Claims	years	2.0	3.7	4.1	3.9	3.8	3.5	3.5

* Temporary decrease due to timing differences between debt proceeds and capital costs.

Summary

The remainder of this document contains 5-year projections for each operating fund. These estimates inform and help formulate the City's long-term strategies and influence development of the City's Biennial Budget (for 2012 and 2013). The financial planning strategies are intended to further develop and preserve Shoreview's financial resiliency, particularly during the current challenging economic climate, exert greater control over outcomes through each Biennial Budget, and will serve to:

- Deliver a consistent program of public services
- Maintain the trust and confidence of the citizens and business owners throughout Shoreview
- Preserve favorable comparisons to surrounding communities

The FYOP is reviewed by the City Council as part of the budget process. Formal acceptance of the plan and adoption of the working capital targets occurs in December.

We thank all departments and the Shoreview City Council for their diligence and commitment to long-term planning.

Jeanne Haapala, Finance Director
Terry Schwerm, City Manager

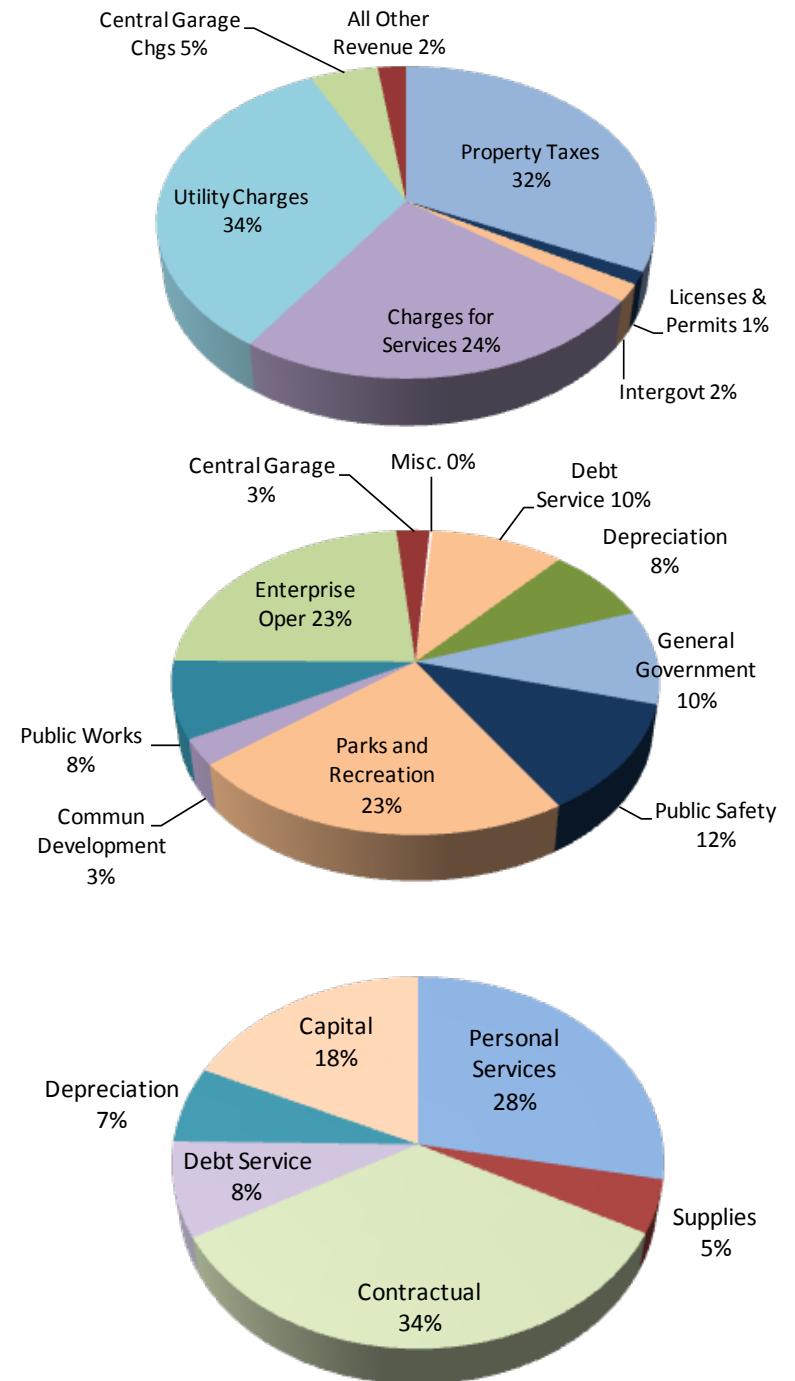
Total Operating Funds

Combined revenue and expense for all operating funds is presented in the table below. Total expense (excluding capital project funds and transfers between funds) is projected to rise 3.9% over the 2011 revised estimate, and will rise between 2.5% and 3.8% from 2013 through 2016 (including increased debt service costs for the maintenance center addition and the proposed 2013 street bonds). It should be noted that the property tax totals in the table below do not contain tax levies for capital funds. For instance, the 2012 levy below \$7,250,086 plus capital fund levies of \$2,110,000 equal a total levy of \$9,360,086.

Revenue for 2012 (shown in the top pie chart at right) is derived from a combination of sources including: 34% from utility charges, 32% from property taxes, 24% from charges for service (including inter-fund charges), 5% from central garage charges, 2% from intergovernmental revenue, 1% from licenses and permits, and 2% for all other sources combined.

Expense for 2012 (shown in the middle pie chart at right) shows that public works accounts for largest share at 31% (enterprise 23% and other public works functions 8%). Parks and recreation operations accounts for 23%, and includes maintenance of parks and park buildings, park administration, community center operations and recreation programs. Public safety accounts for 12% (police, fire, animal control and emergency services). General government and debt service each account for 10%, followed by depreciation at 8%, and central garage and community development at 3% each.

Total 2012 costs by classification are shown in the bottom chart at right. Unlike the two previous pie charts, this chart presents total costs, including planned capital project spending. The largest class of expense is for contractual services at 34%. The most significant contractual costs include police and fire contracts, sewage treatment, central garage charges, administrative charges, recycling, electric and insurance. Personal services accounts for 28% of total expense, compared to 18% for capital costs, 8% for debt service, 7% for depreciation of utility and central garage assets, and 5% for supplies.



Total Operating Funds	2008 Actual	2009 Actual	2010 Actual	2011 Budget	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue										
Property Taxes	\$ 6,208,335	\$ 6,511,151	\$ 6,777,040	\$ 7,055,734	\$ 7,055,734	\$ 7,250,086	\$ 7,537,037	\$ 7,890,956	\$ 8,233,064	\$ 8,582,957
Special Assessments	161,568	210,597	201,614	144,311	132,222	115,865	107,971	116,129	118,931	158,933
Licenses & Permits	531,895	368,878	501,198	281,150	307,010	292,750	279,750	277,300	272,100	266,100
Intergovernmental	307,984	240,869	342,426	235,602	280,122	400,247	367,832	367,102	365,592	363,262
Charges for Services	4,688,852	5,137,372	5,305,833	5,271,261	5,361,635	5,473,175	5,625,135	5,752,180	5,891,110	6,025,920
Fines & Forfeits	55,814	55,582	32,813	42,500	61,480	62,000	62,500	62,500	62,500	62,500
Utility Charges	5,813,407	6,501,275	6,487,924	7,177,300	6,964,709	7,540,762	7,864,601	8,144,143	8,433,385	8,950,963
Central Garage Chgs	903,653	939,716	1,043,775	1,109,816	1,109,080	1,137,680	1,153,020	1,181,090	1,192,490	1,192,790
Interest Earnings	478,855	208,450	160,710	232,550	193,500	208,550	220,350	238,400	243,205	265,900
Other Revenues	98,861	104,214	146,587	72,942	86,280	81,860	82,300	82,600	82,900	88,100
Total Revenue	19,249,224	20,278,104	20,999,920	21,623,166	21,551,772	22,562,975	23,300,496	24,112,400	24,895,277	25,957,425
Expense										
General Government	1,935,698	1,961,459	2,077,391	2,139,609	2,108,527	2,307,905	2,317,773	2,417,489	2,457,120	2,546,865
Public Safety	2,256,534	2,383,720	2,448,406	2,573,947	2,579,250	2,721,227	2,884,628	3,066,719	3,251,531	3,436,522
Public Works	1,679,740	1,719,828	1,714,051	1,819,210	1,779,738	1,889,483	1,965,317	2,037,548	2,106,492	2,154,869
Parks and Recreation	4,838,203	4,886,627	5,076,848	5,251,084	5,229,808	5,294,174	5,452,163	5,609,987	5,771,933	5,937,106
Commun Development	592,246	587,167	621,455	625,265	627,813	637,832	659,859	680,852	702,742	725,147
Enterprise Oper	4,683,872	5,041,186	5,110,193	5,328,684	5,373,536	5,409,730	5,559,989	5,741,367	5,938,196	6,077,248
Central Garage	555,396	569,884	502,790	562,782	546,685	576,564	590,407	607,605	623,481	639,873
Miscellaneous	134,741	98,214	79,834	38,000	48,000	48,000	40,000	42,000	42,000	40,000
Debt Service	3,616,974	1,925,191	2,172,791	1,795,013	2,125,505	2,333,436	2,277,782	2,217,417	2,156,465	2,275,472
Depreciation	1,237,268	1,284,632	1,397,175	1,810,200	1,804,000	1,861,000	1,914,000	1,958,000	1,980,600	2,145,000
Total Expense	21,530,672	20,457,908	21,200,934	21,943,794	22,222,862	23,079,351	23,661,918	24,378,984	25,030,560	25,978,102
Other Sources (Uses)										
Sale of Asset-Gain	30,690	60,749	29,473	30,000	47,000	20,000	41,000	24,000	36,000	51,000
Debt Refunded	-	-	-	-	(4,705,990)	-	-	-	-	-
Debt Proceeds	19,225	2,819	-	-	4,620,000	-	20,000	-	10,000	-
Contrib Cap Assets	273,063	1,255,021	107,585	-	-	-	-	-	-	-
Transfers In	2,464,521	1,561,872	1,992,463	1,929,061	1,942,301	2,056,090	2,359,186	2,076,517	2,079,942	1,777,254
Transfers Out	(749,166)	(805,214)	(1,211,030)	(1,301,161)	(1,259,529)	(1,149,840)	(1,338,400)	(1,971,017)	(1,370,900)	(1,596,554)
Net Change	\$ (243,115)	\$ 1,895,443	\$ 717,477	\$ 337,272	\$ (27,308)	\$ 409,874	\$ 720,364	\$ (137,084)	\$ 619,759	\$ 211,023
Expense percent change	12.0%	-5.0%	3.6%		4.8%	3.9%	2.5%	3.0%	2.7%	3.8%

General Fund Operations

The General Fund is the primary operating fund of the City, accounting for all operations not otherwise accounted for in separate funds. In 2012, property taxes provide 78.4% of revenues for the fund (excluding transfers from other funds).

The City's fund balance policy addresses General Fund cash flow needs by designating 50% of the ensuing year tax levy as a minimum fund balance and by designating up to 10% of the ensuing year budgeted expense to provide additional protection against unanticipated events.

Impacts

- Shoreview receives less aid than cities of similar size, making it more challenging to maintain competitive property tax levels
- The market value homestead credit program has been eliminated and is replaced by a market value exclusion program, therefore Shoreview will begin collecting the full tax levy in 2012
- Property taxes are increasing as a percent of total General Fund revenue, providing 78.4% of total revenue in 2012 and 80.5% in 2016
- Property tax collections occur in July and December, creating cash flow challenges for the fund

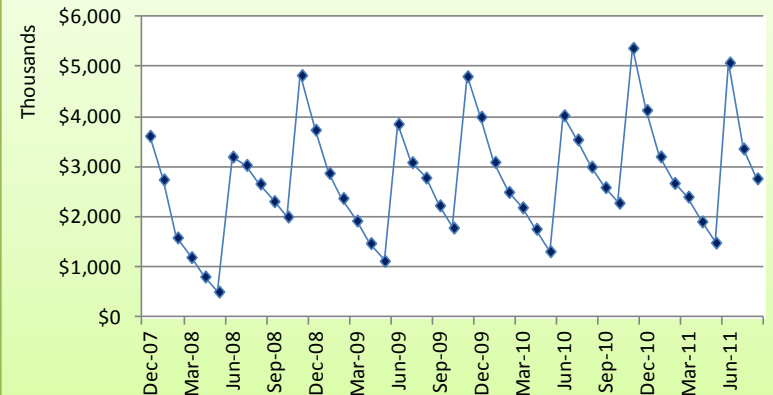
Performance/History

- Strong fund balances between 48% and 51% of current expense
- Operating coverage greater than 5 months in most years
- Internal decisions account for 90% of revenue sources

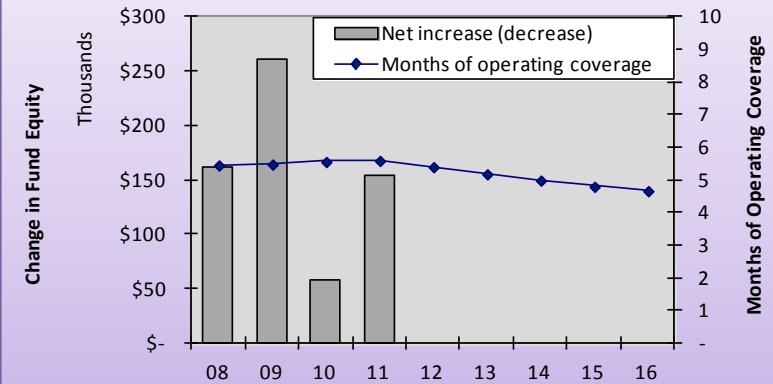
Fund Goals/Targets

- To manage cash flow needs, preserve working capital allocation equal to 50% of the ensuing year levy (minimum fund equity per City policy)
- To provide flexibility in addressing future budget challenges, preserve the unanticipated event allocation equal to 10% of the ensuing year budget where possible (per City policy)
- Maintain operating coverage equal to 5 months through retention of future operating surplus when available and through levy adjustments when necessary to meet working capital targets

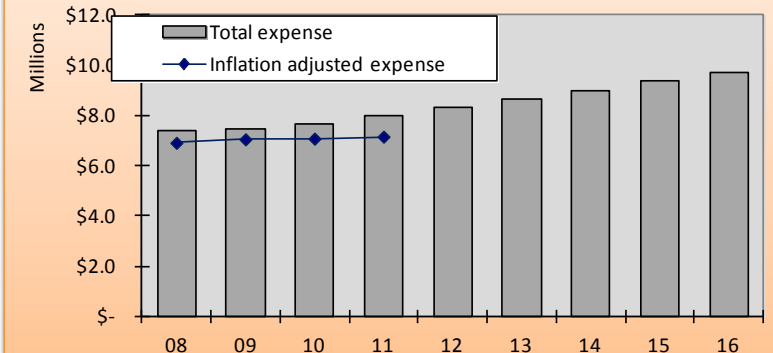
General Fund Cash Balances



General Fund Equity



General Fund Expense



General Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Property Taxes	\$ 5,619,188	\$ 5,963,199	\$ 6,170,162	\$ 6,345,734	\$ 6,467,060	\$ 6,717,037	\$ 7,045,956	\$ 7,348,064	\$ 7,667,957
Licenses & Permits	531,895	368,878	501,198	307,010	292,750	279,750	277,300	272,100	266,100
Intergovernmental	200,602	181,321	187,717	181,502	183,002	184,302	184,202	184,202	184,102
Charges for Services	1,163,897	1,257,045	1,226,101	1,152,240	1,164,450	1,205,680	1,221,460	1,243,840	1,260,960
Fines & Forfeits	55,814	55,582	32,813	61,480	62,000	62,500	62,500	62,500	62,500
Interest Earnings	126,932	47,381	38,330	40,000	45,000	45,000	50,000	50,000	55,000
Other Revenues	35,524	27,289	33,400	39,580	35,160	25,600	25,900	26,200	26,400
Total Revenue	7,733,852	7,900,695	8,189,721	8,127,546	8,249,422	8,519,869	8,867,318	9,186,906	9,523,019
Expense									
General Government	1,670,182	1,646,587	1,696,835	1,905,043	2,085,610	2,107,075	2,183,755	2,231,901	2,316,142
Public Safety	2,256,534	2,383,720	2,448,406	2,579,250	2,721,227	2,884,628	3,066,719	3,251,531	3,436,522
Public Works	1,276,321	1,296,285	1,284,791	1,318,191	1,400,009	1,461,077	1,514,801	1,565,624	1,596,776
Parks and Recreation	1,579,862	1,613,084	1,665,045	1,687,095	1,588,453	1,625,645	1,669,617	1,722,112	1,777,812
Community Development	592,246	558,629	554,739	517,983	534,323	547,944	564,426	580,738	596,467
Total Expense	7,375,145	7,498,305	7,649,816	8,007,562	8,329,622	8,626,369	8,999,318	9,351,906	9,723,719
Other Sources (Uses)									
Transfers In	240,000	273,000	312,000	476,451	481,000	519,000	552,000	595,000	643,500
Transfers Out	(437,000)	(415,344)	(793,418)	(442,400)	(400,800)	(412,500)	(420,000)	(430,000)	(442,800)
Net Change	161,707	260,046	58,487	154,035	-	-	-	-	-
Fund Equity, beginning	3,440,895	3,602,602	3,862,648	3,921,135	4,075,170	4,075,170	4,075,170	4,075,170	4,075,170
Fund Equity, ending	\$ 3,602,602	\$ 3,862,648	\$ 3,921,135	\$ 4,075,170	\$ 4,075,170	\$ 4,075,170	\$ 4,075,170	\$ 4,075,170	\$ 4,075,170
Fund equity percent of expense	49.8%	50.9%	49.9%	48.9%	47.2%	45.3%	43.6%	41.9%	40.7%
Months of operating coverage	5.5	5.5	5.6	5.6	5.4	5.2	5.0	4.8	4.7
Expense percent change	5.5%	1.7%	2.0%	4.7%	4.0%	3.6%	4.3%	3.9%	4.0%
Average annual percent change			3.4%						4.1%
Tax Levy percent change	1.9%	6.1%	3.5%	2.8%	1.9%	3.9%	4.9%	4.3%	4.4%
Percent of revenue from Gen Fund			5.1%						3.7%
Percent revenue/internal decision:	86.7%	92.3%	90.8%	93.4%	93.8%	94.3%	94.5%	94.8%	95.0%
Percent revenue/external decision	13.3%	7.7%	9.2%	6.6%	6.2%	5.7%	5.5%	5.2%	5.0%

Recycling Fund Operations

The Recycling Fund accounts for the City's curbside recycling program, through a joint powers agreement with Ramsey County. User fees are collected with property tax payments in July and December.

Impacts

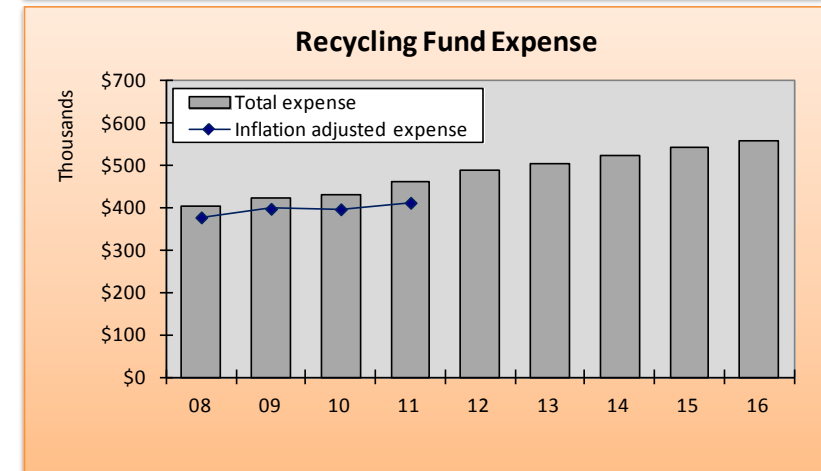
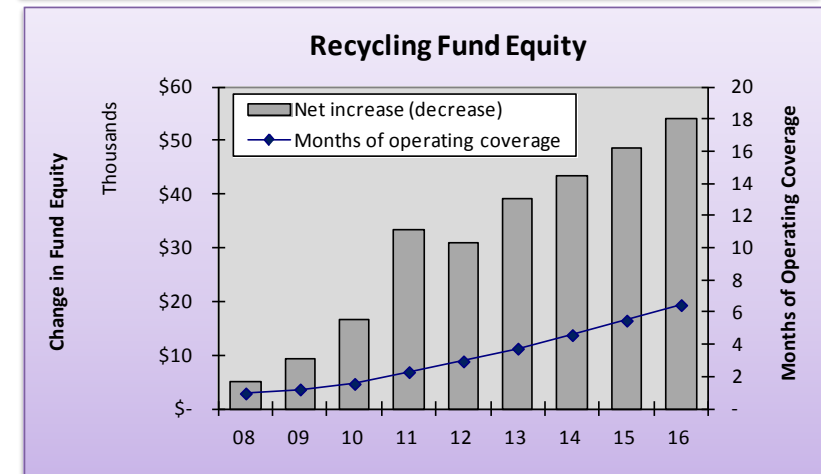
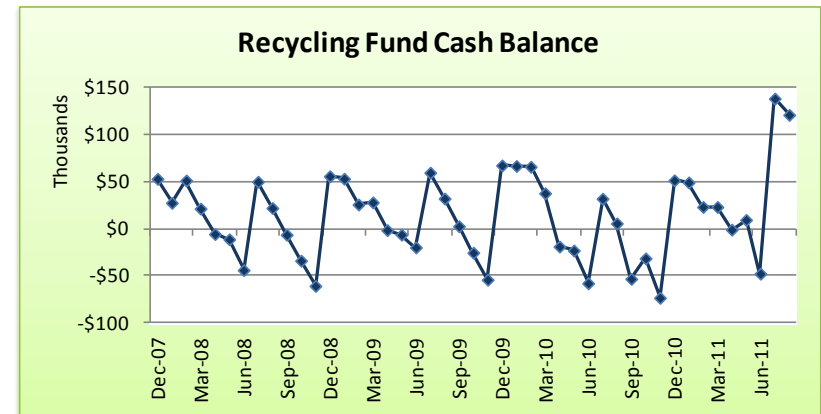
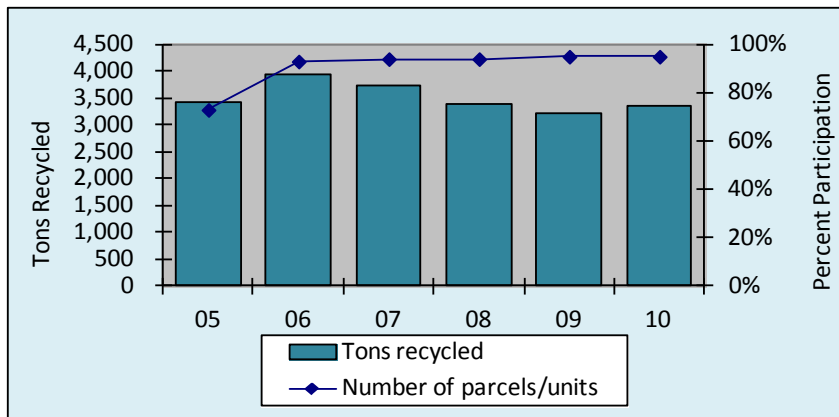
- SCORE grant funding has grown at a slower pace than program costs, and provides between 10% and 12% of revenue
- Reductions in newspaper circulation have significantly reduced the tons of materials recycled in recent years
- Participation rates are the highest in 6 years (95%)
- User fees provide between 85% and 88% of revenue, and are received in July and December, creating cash flow challenges for the fund

Performance/History

- Operating coverage of less than 1 month in 4 of the last 5 years
- Periodic negative cash balances due to the timing of revenue from user fees

Fund Goals/Targets

- Gradually build fund balance and improve cash flow performance
- Establish recycling fees sufficient to generate operating coverage of 5 months within 5 years, and pay interest to the investment pool for temporary negative cash balances throughout the year



Recycling Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Intergovernmental									
SCORE Grant	\$ 53,490	\$ 53,359	\$ 54,023	\$ 53,240	\$ 54,000	\$ 55,000	\$ 56,000	\$ 57,000	\$ 58,000
Other Local Governments	3,892	6,189	5,118	17,500	15,000	15,000	15,000	15,000	15,000
Charges for Services									
Recycling Charges	339,332	360,382	375,660	402,000	429,000	450,000	431,000	433,000	435,000
Cleanup Day Charges	11,353	12,715	10,888	22,270	22,300	23,300	64,300	84,300	104,300
Interest Earnings	360	269	62	-	-	-	-	-	-
Total Revenue	408,427	432,914	445,751	495,010	520,300	543,300	566,300	589,300	612,300
Expense									
Public Works									
Personal Services	29,626	29,828	30,207	15,737	27,004	28,610	30,217	32,328	34,063
Supplies	990	3,530	-	1,200	1,200	1,200	1,200	1,200	1,200
Contractual Services	372,803	390,185	399,053	444,610	461,270	474,430	491,330	507,340	522,830
Total Expense	403,419	423,543	429,260	461,547	489,474	504,240	522,747	540,868	558,093
Net Change	5,008	9,371	16,491	33,463	30,826	39,060	43,553	48,432	54,207
Fund Equity, beginning	28,801	33,809	43,180	59,671	93,134	123,960	163,020	206,573	255,005
Fund Equity, ending	\$ 33,809	\$ 43,180	\$ 59,671	\$ 93,134	\$ 123,960	\$ 163,020	\$ 206,573	\$ 255,005	\$ 309,212
Fund equity percent of expense	8.0%	10.1%	12.9%	19.0%	24.6%	31.2%	38.2%	45.7%	53.7%
Months of operating coverage	1.0	1.2	1.6	2.3	3.0	3.7	4.6	5.5	6.4
Expense percent change	5.5%	5.0%	1.3%	7.5%	6.1%	3.0%	3.7%	3.5%	3.2%
Average annual percent change				4.5%					3.9%
Annual charge per parcel/unit	\$ 31.50	\$ 33.50	\$ 35.00	\$ 37.50	\$ 40.00	\$ 42.00	\$ 44.00	\$ 46.00	\$ 48.00
Change in rate	\$ 0.80	\$ 2.00	\$ 1.50	\$ 2.50	\$ 2.50	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Percent change in rate	2.6%	6.3%	4.5%	7.1%	6.7%	5.0%	4.8%	4.5%	4.3%
Average annual percent change				4.0%					5.1%
Cost per collection	\$ 1.21	\$ 1.29	\$ 1.35	\$ 1.44	\$ 1.54	\$ 1.62	\$ 1.69	\$ 1.77	\$ 1.85
Participation rate	94.0%	95.0%	95.0%						
Tons recycled	3,385	3,204	3,342						
Number of parcels/units	10,772	10,758	10,719	10,719	10,720	10,720	10,720	10,720	10,720

Community Center Fund Operations

The Community Center Fund accounts for the operation and maintenance of the fitness center and studios, the Tropics Indoor Water Park, Tropical Adventure indoor play area, banquet and meeting rooms, birthday party rooms, gymnasium, locker facilities, picnic pavilion and concessions.

Impacts

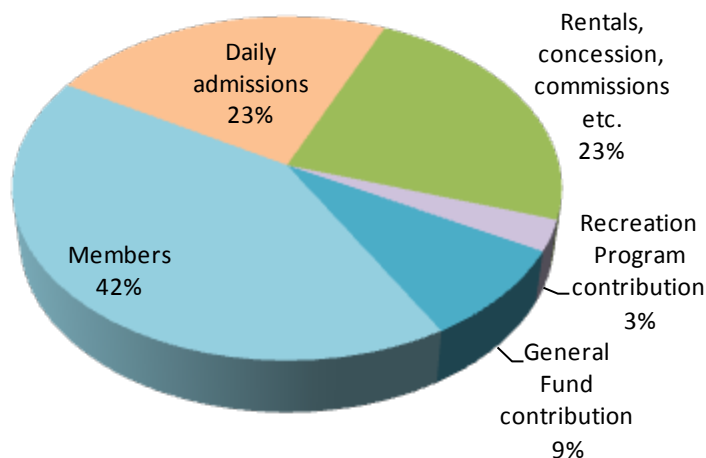
- User fees provide 88% of revenue (memberships, admissions and room rentals)
- General Fund provides \$225,000 in support of operations for 2012 through an inter-fund transfer
- Recreation programs Fund provides \$75,000 in support for use of the facility
- Planned \$300,000 transfer in 2014 as a contribution for a building addition

Performance/History

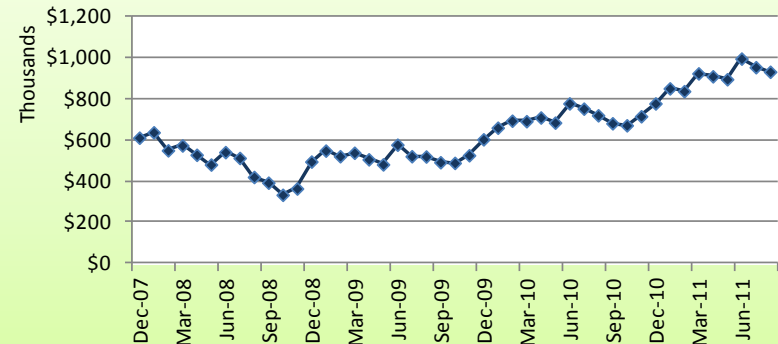
- Enrollment in automatic monthly billing by members continues to rise, providing greater cash flow stability
- Insurance incentive credits increased from \$25,575 in 2008 to an estimated \$62,000 in 2011
- Working capital coverage equal to 2 to 3 months in most years
- Positive cash flows

Fund Goals/Targets

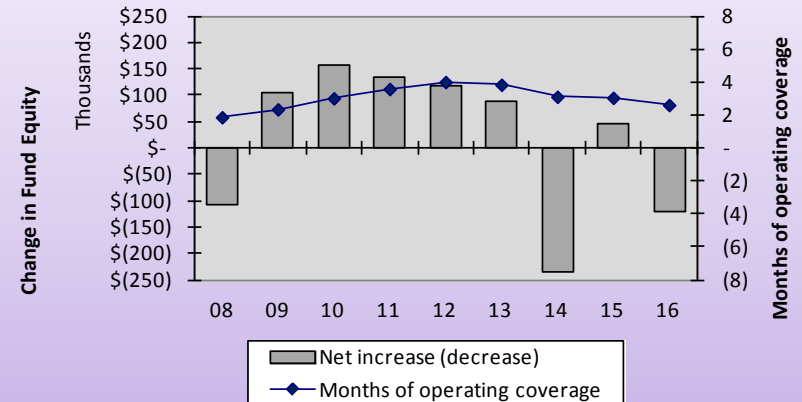
- Adjust rates and operating expense to maintain operating coverage of 3 months
- Increase General Fund support approximately 3% per year
- Commit fund equity in excess of 3 months working capital to community center building improvements



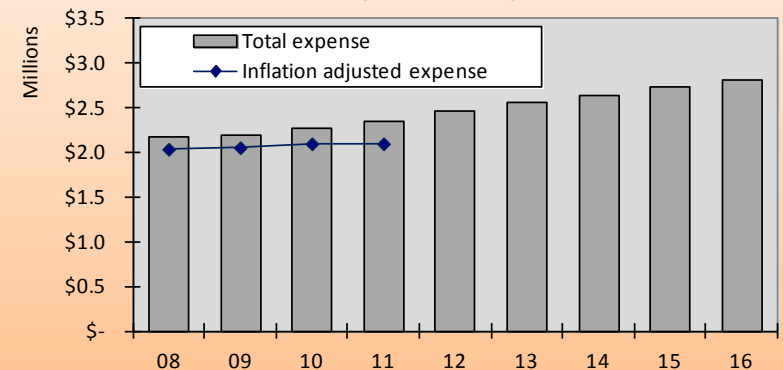
Community Center Cash Balance



Community Center Fund Equity



Community Center Expense



Community Center Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Charges for Services									
Memberships	\$ 790,448	\$ 899,409	\$ 1,040,491	\$ 1,056,545	\$ 1,077,390	\$ 1,096,100	\$ 1,115,700	\$ 1,136,230	\$ 1,160,700
Daily Admissions	494,723	548,429	522,366	584,000	596,920	610,080	623,460	637,090	650,960
Room Rentals	213,668	219,043	220,656	233,520	240,675	247,965	255,450	263,100	270,950
Concessions & Commissions	170,242	181,806	198,094	211,000	221,950	232,910	242,400	252,900	263,630
All Other Charges	130,639	123,702	125,135	129,000	133,050	136,700	141,350	146,000	149,650
Interest Earnings	18,693	8,171	8,017	8,000	8,000	9,000	10,000	12,000	14,000
Other Revenues	-	-	715	-	-	-	-	-	-
Total Revenue	1,818,413	1,980,560	2,115,474	2,222,065	2,277,985	2,332,755	2,388,360	2,447,320	2,509,890
Expense									
Parks and Recreation									
Personal Services	1,243,857	1,287,910	1,319,270	1,358,209	1,415,659	1,456,934	1,500,453	1,548,325	1,591,996
Supplies	429,071	392,043	405,540	443,500	461,760	481,115	501,370	515,280	534,440
Contractual	503,359	507,042	544,863	548,280	568,570	604,850	627,930	650,400	673,785
Capital Outlay	-	-	-	-	12,930	13,000	13,000	13,000	13,000
Total Expense	2,176,287	2,186,995	2,269,673	2,349,989	2,458,919	2,555,899	2,642,753	2,727,005	2,813,221
Other Sources (Uses)									
Sale of Asset-Gain	-	-	-	-	-	-	-	-	-
Transfers In	250,000	310,000	310,000	297,000	300,000	312,000	319,000	326,000	334,000
Transfers Out	-	-	-	(35,000)	-	-	(300,000)	-	(150,000)
Net Change	(107,874)	103,565	155,801	134,076	119,066	88,856	(235,393)	46,315	(119,331)
Fund Equity, beginning	449,160	341,286	444,851	600,652	734,728	853,794	942,650	707,257	753,572
Fund Equity, ending	\$ 341,286	\$ 444,851	\$ 600,652	\$ 734,728	\$ 853,794	\$ 942,650	\$ 707,257	\$ 753,572	\$ 634,241
Fund equity committed to building improv	-	-	33,234	119,998	214,819	281,962	25,506	50,267	-
Fund equity percent of expense	15.6%	19.6%	25.2%	29.9%	33.4%	32.0%	25.9%	25.4%	21.8%
Months of operating coverage	1.9	2.4	3.0	3.6	4.0	3.8	3.1	3.1	2.6
Tax support as percent of expense	8.7%	10.5%	10.1%	9.7%	9.2%	9.1%	9.0%	9.0%	9.0%
Expense percent change	4.3%	0.5%	3.8%	3.5%	4.6%	3.9%	3.4%	3.2%	3.2%
Average annual percent change/exp				1.8%					3.7%
Insurance credits (memberships)	\$ 111,800	\$ 159,000	\$ 178,500	\$ 171,000					
Annual membership rev billed monthly	\$ 123,628	\$ 241,728	\$ 352,441	\$ 390,000					
Rate change, daily admissions	6.5%	7.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Rate change, memberships	6.5%	3-5%	2-4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Recreation Program Fund Operations

The Recreation Programs Fund accounts for a variety of recreational and social programs offered throughout the City on a fee basis. Financial support, through an inter-fund transfer, is provided to the Community Center fund to partially cover use of the facility.

Impacts

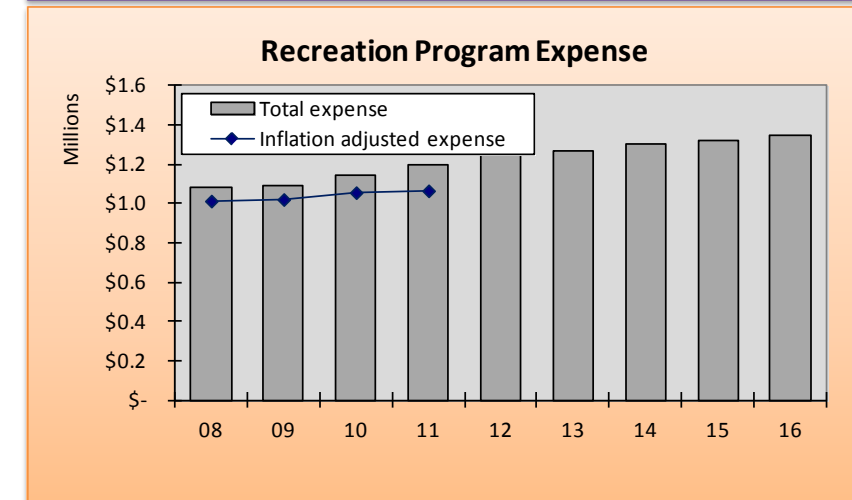
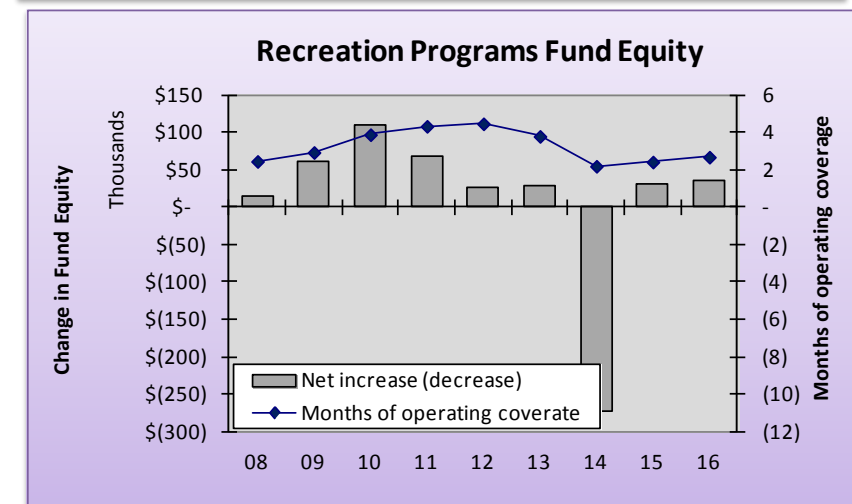
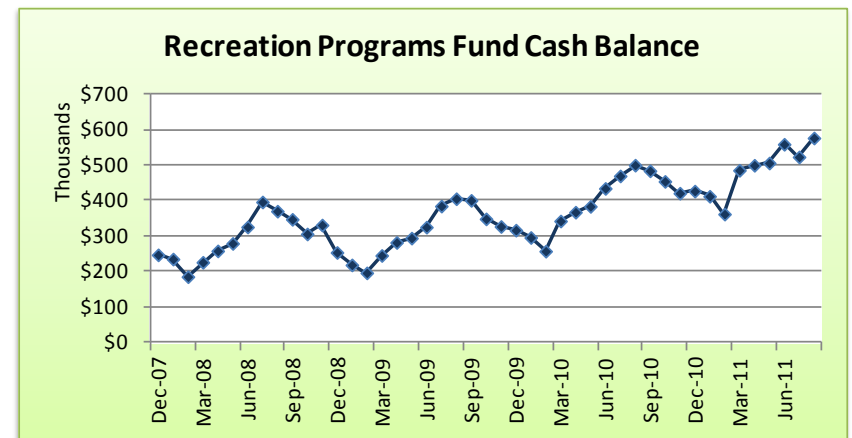
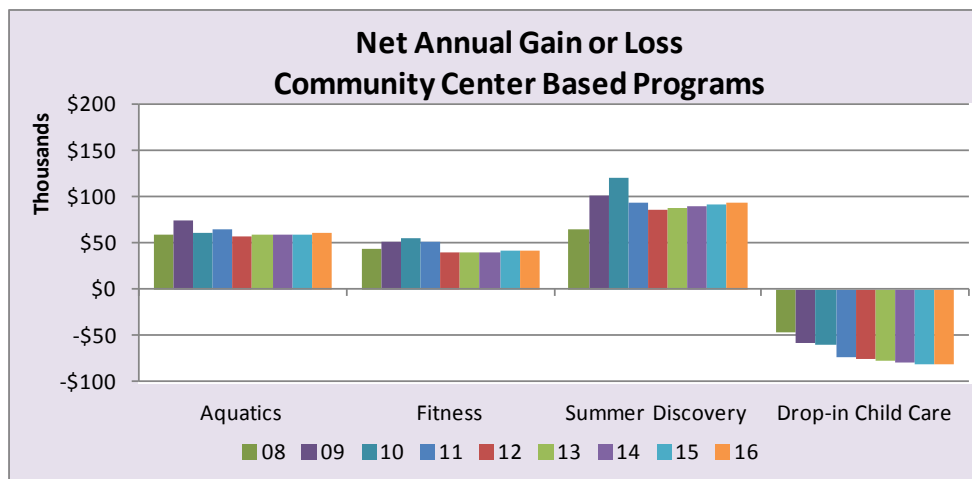
- User fees provide 95% of revenue
- General Fund provides support for community-oriented programs through an annual transfer
- Planned \$300,000 transfer in 2014 as a contribution for a building addition

Performance/History

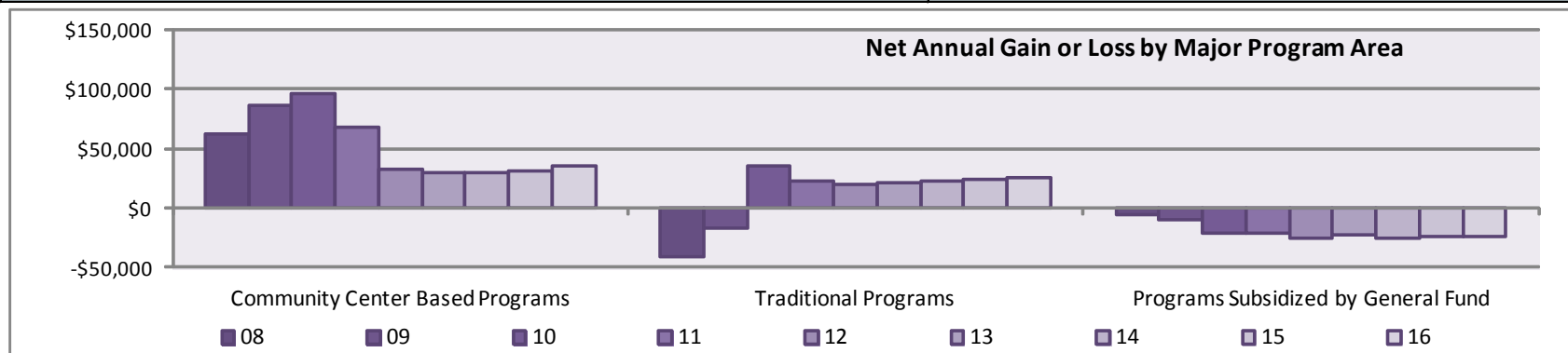
- Operating coverage equal to 2 to 4 months
- Positive cash flows

Fund Goals/Targets

- Preserve 3 months operating coverage through user fee adjustments
- Hold General Fund support to the rate of inflation or less
- Cover cost increases through operating efficiencies where possible/practical
- Commit fund equity in excess of 3 months working capital to community center building improvements



Recreation Programs Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Charges for Services	\$1,072,244	\$1,159,143	\$1,266,929	\$1,261,360	\$1,277,740	\$1,303,300	\$1,329,360	\$1,356,950	\$1,383,070
Interest Earnings	11,252	4,925	4,623	4,600	4,600	4,800	5,000	5,000	5,000
Other Revenues	50	559	489	-	-	-	-	-	-
Total Revenue	1,083,546	1,164,627	1,272,041	1,265,960	1,282,340	1,308,100	1,334,360	1,361,950	1,388,070
Expense									
Parks and Recreation									
Parks Administration	274,867	294,157	305,513	298,569	331,258	345,238	361,398	376,331	389,104
Program Costs	807,187	792,391	836,617	894,155	915,544	925,381	936,219	946,485	956,969
Total Expense	1,082,054	1,086,548	1,142,130	1,192,724	1,246,802	1,270,619	1,297,617	1,322,816	1,346,073
Other Sources (Uses)									
Transfers In	73,000	62,000	60,000	65,000	65,000	70,000	70,000	72,000	74,000
Transfers Out	(60,000)	(80,000)	(80,000)	(70,000)	(75,000)	(80,000)	(380,000)	(80,000)	(80,000)
Net Change	14,492	60,079	109,911	68,236	25,538	27,481	(273,257)	31,134	35,997
Fund Equity, beginning	223,416	237,908	297,987	407,898	476,134	501,672	529,153	255,896	287,030
Fund Equity, ending	\$ 237,908	\$ 297,987	\$ 407,898	\$ 476,134	\$ 501,672	\$ 529,153	\$ 255,896	\$ 287,030	\$ 323,027
Fund equity committed to bldg impr			\$ 109,717	\$ 164,434	\$ 184,017	\$ 204,749	\$ -	\$ -	\$ -
Fund equity percent of expense	20.4%	24.4%	32.3%	36.0%	37.1%	31.5%	18.2%	20.1%	22.3%
Months of operating coverage	2.4	2.9	3.9	4.3	4.5	3.8	2.2	2.4	2.7
Revenue percent change	7.6%	7.5%	9.2%	-0.5%	1.3%	2.0%	2.0%	2.1%	1.9%
Average annual percent change				4.9%					1.9%
Expense percent change	7.0%	0.4%	5.1%	4.4%	4.5%	1.9%	2.1%	1.9%	1.8%
Average annual percent change				4.1%					2.5%
Percent of revenue from user fees	92.7%	94.5%	95.1%	94.8%	94.8%	94.6%	94.7%	94.6%	94.6%
Percent of revenue from Gen Fund	6.3%	5.1%	4.5%	4.9%	4.8%	5.1%	5.0%	5.0%	5.1%



Cable TV Fund Operations

The Cable TV Fund accounts for the operation and promotion of cable communications, provides partial support for newsletter costs, and provides funding for equipment necessary for broadcasting public meetings.

Impacts

- Cable franchise fees provide more than 98% of revenue
- Future use of franchise fees could be impacted by changes in State law which could limit the franchising authority of cities as well as franchise fee revenue
- Transfers to the General Fund provide support for communication activities

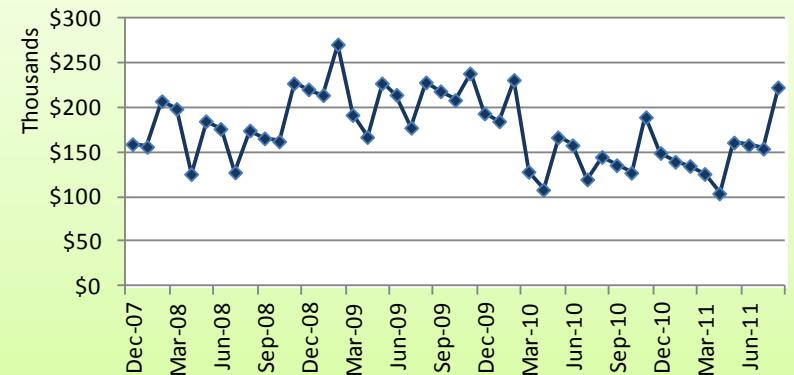
Performance/History

- Operating coverage equal to 7 to 12 months
- Positive cash flows

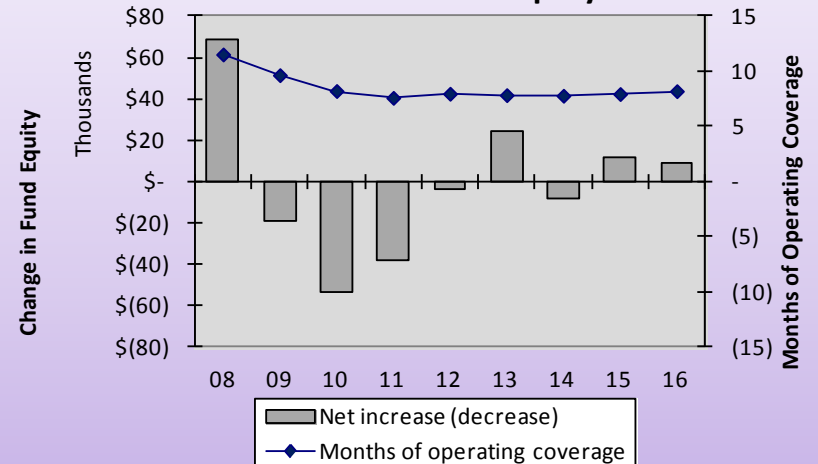
Fund Goals/Targets

- Preserve minimum operating coverage of 3 and up to 6 months when anticipated capital costs dictate higher balances
- Monitor fund balance changes

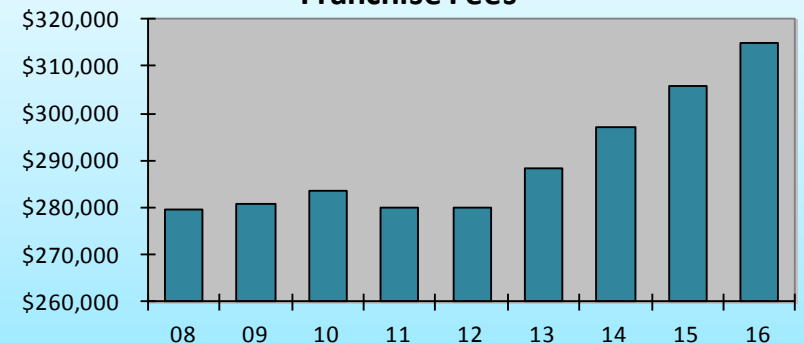
Cable Television Fund Cash Balance



Cable TV Fund Equity



Franchise Fees



Cable Television Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Charges for Services	\$279,794	\$280,737	\$283,394	\$280,000	\$280,000	\$288,400	\$297,000	\$306,000	\$315,000
Interest Earnings	6,834	3,411	1,822	1,800	1,800	1,800	1,800	2,000	2,000
Other Revenues	2,700	1,200	1,100	1,200	1,200	1,200	1,200	1,200	1,200
Total Revenue	289,328	285,348	286,316	283,000	283,000	291,400	300,000	309,200	318,200
Expense									
General Government									
Personal Services	87,588	105,963	109,354	32,404	32,985	33,688	34,404	35,409	36,433
Supplies	-	10,075	58,894	500	500	500	500	500	500
Contractual	120,904	154,297	158,429	113,380	131,610	118,310	137,130	126,560	131,040
Total Expense	208,492	270,335	326,677	146,284	165,095	152,498	172,034	162,469	167,973
Other Sources (Uses)									
Transfers Out	(12,166)	(33,998)	(13,250)	(174,679)	(121,950)	(115,000)	(136,500)	(135,000)	(141,500)
Net Change	68,670	(18,985)	(53,611)	(37,963)	(4,045)	23,902	(8,534)	11,731	8,727
Fund Equity, beginning	223,003	291,673	272,688	219,077	181,114	177,069	200,971	192,437	204,168
Fund Equity, ending	\$291,673	\$272,688	\$219,077	\$181,114	\$177,069	\$200,971	\$192,437	\$204,168	\$212,895
Fund equity percent of expense	95.8%	80.2%	68.3%	63.1%	66.2%	65.1%	64.7%	66.0%	68.1%
Months of operating coverage	11.5	9.6	8.2	7.6	7.9	7.8	7.8	7.9	8.2
Franchise fee percent change	7.9%	0.3%	0.9%	-1.2%	0.0%	3.0%	3.0%	3.0%	2.9%
Average annual percent change				4.0%					2.4%

Economic Development Authority Fund Operations

The Economic Development Authority (EDA) was created in 2008 with an initial \$50,000 transfer from the General Fund and \$2,025 from the former Economic Development Fund. The City's previous deposit in the Twin Cities Community Capital Fund was returned to the City in 2010 (\$165,777). Because the funds are legally restricted to economic development and business assistance (as governed by Minnesota statutes), the EDA is exploring other options for a business loan program. The funds will be invested until a loan program is selected or developed.

Impacts

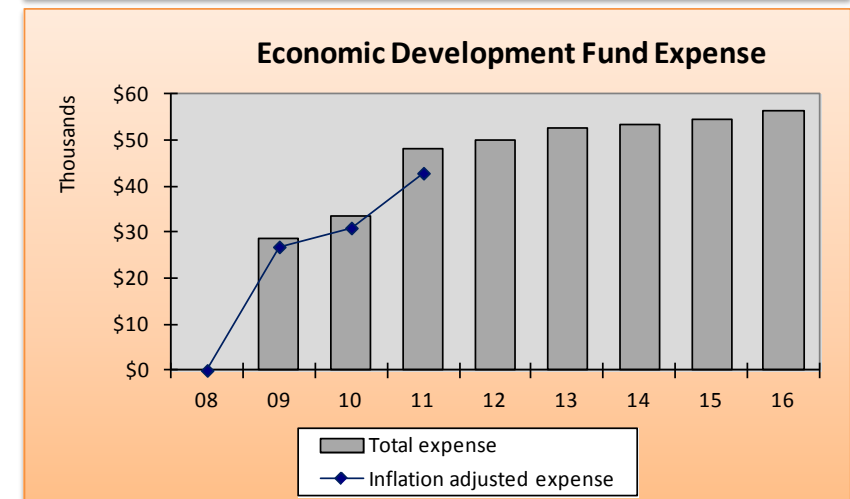
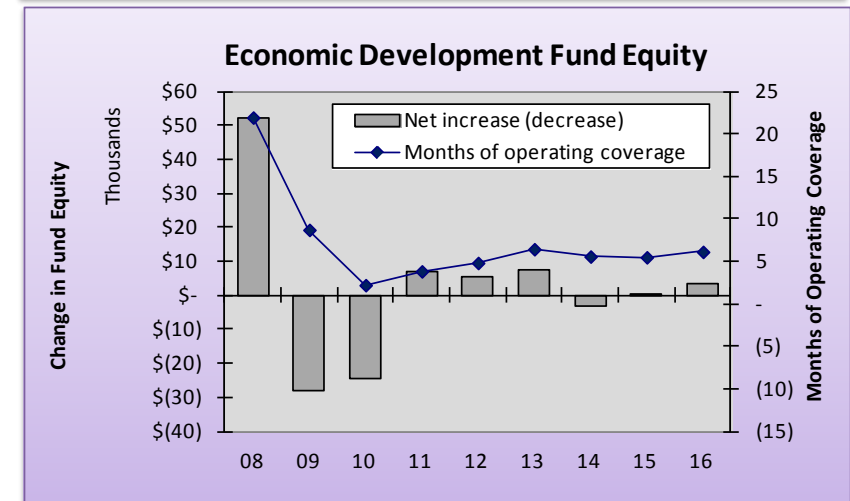
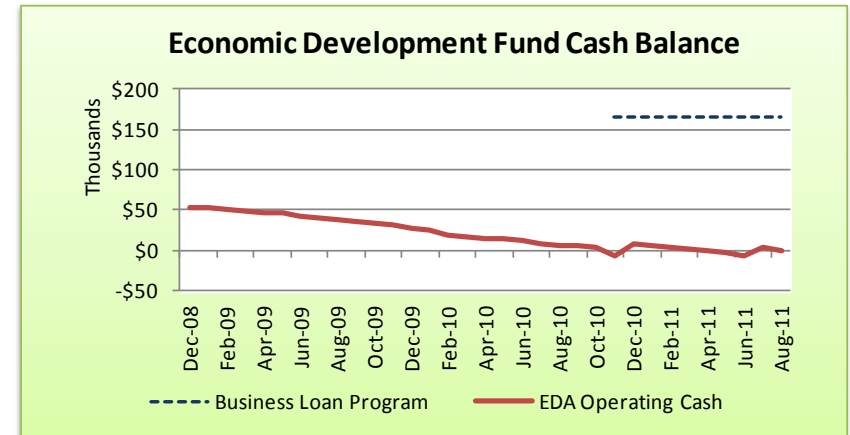
- First tax levy in 2011
- Levy authority is within the City's levy limit, when levy limits are in effect
- Property tax collections occur in July and December, creating cash flow challenges for the fund

Performance/History

- Operating coverage dropped significantly in 2009 and 2010 due to the lack of revenue

Fund Goals/Targets

- Establish and maintain 5 months of operating coverage
- Monitor fund balance changes



Economic Development Authority Fund	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual	Actual	Actual	Estimate	Budget	Budget	Projected	Projected	Projected
Revenue									
Property Taxes	\$ -	\$ -	\$ -	\$ 25,000	\$ 55,000	\$ 60,000	\$ 50,000	\$ 55,000	\$ 60,000
Interest Earnings	150	672	436	-	-	-	-	-	-
Total Revenue	150	672	436	25,000	55,000	60,000	50,000	55,000	60,000
Expense									
Community Development									
Personal Services	-	3,655	6,920	23,555	22,243	22,807	23,394	24,205	25,025
Supplies	-	-	-	1,700	2,000	2,000	2,000	2,100	2,100
Contractual Services	-	24,883	26,529	22,690	25,540	27,740	27,840	28,200	29,350
Total Expense	-	28,538	33,449	47,945	49,783	52,547	53,234	54,505	56,475
Other Sources (Uses)									
Transfers In									
From General Fund	50,000	-	8,354	30,010	-	-	-	-	-
From former Economic Development Fund	2,025	-	-	-	-	-	-	-	-
From closed Business Loan Program	175,000	-	-	-	-	-	-	-	-
Net Change	227,175	(27,866)	(24,659)	7,065	5,217	7,453	(3,234)	495	3,525
Fund Equity, beginning	-	227,175	199,309	174,650	181,715	186,932	194,385	191,151	191,646
Fund Equity, ending	\$ 227,175	\$ 199,309	\$ 174,650	\$ 181,715	\$ 186,932	\$ 194,385	\$ 191,151	\$ 191,646	\$ 195,171
Fund Equity Breakdown									
Loan program fund balance	\$ 175,000	\$ 175,000	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777	\$ 165,777
Non loan program fund balance	\$ 52,175	\$ 24,309	\$ 8,873	\$ 15,938	\$ 21,155	\$ 28,608	\$ 25,374	\$ 25,869	\$ 29,394
Months of operating coverage (excluding balances restricted for a business loan progr)	21.9	8.7	2.2	3.8	4.8	6.4	5.6	5.5	6.1
Tax levy percent change					120.0%	9.1%	-16.7%	10.0%	9.1%
Annual average percent change									26.3%

Housing Redevelopment Authority Fund Operations

The Housing Redevelopment Authority (HRA) was created in 2009 to account for housing-related activities of the EDA, with the first year of operation in 2010.

Impacts

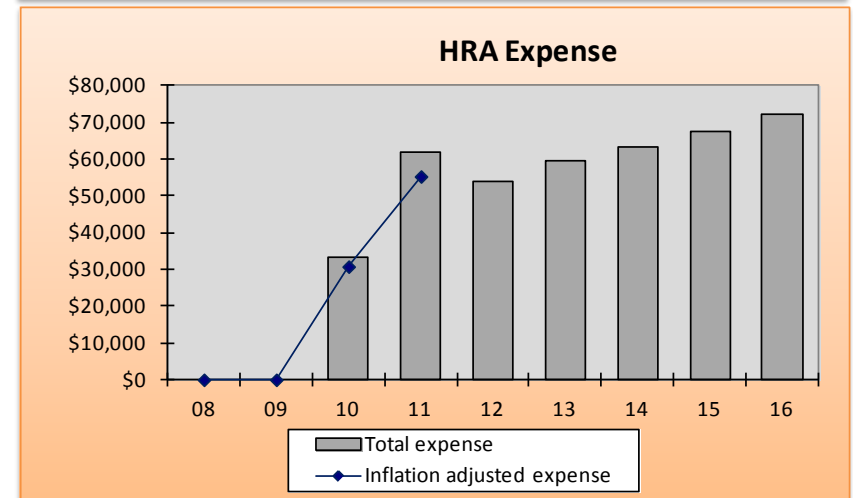
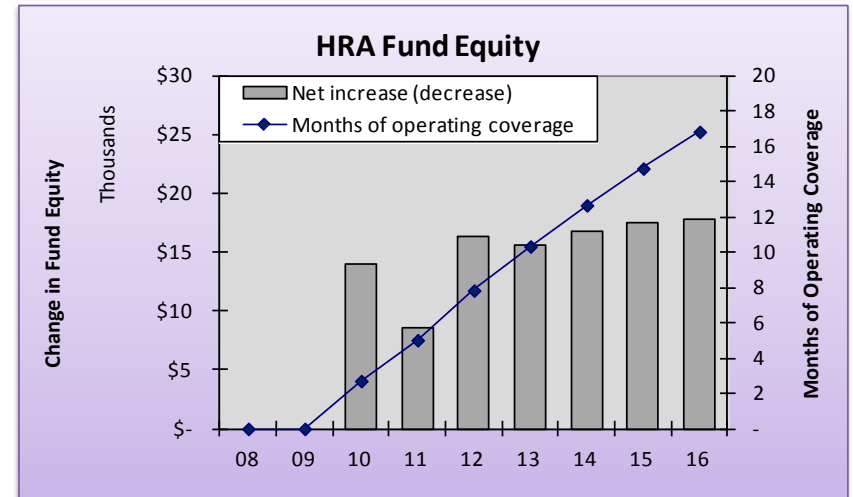
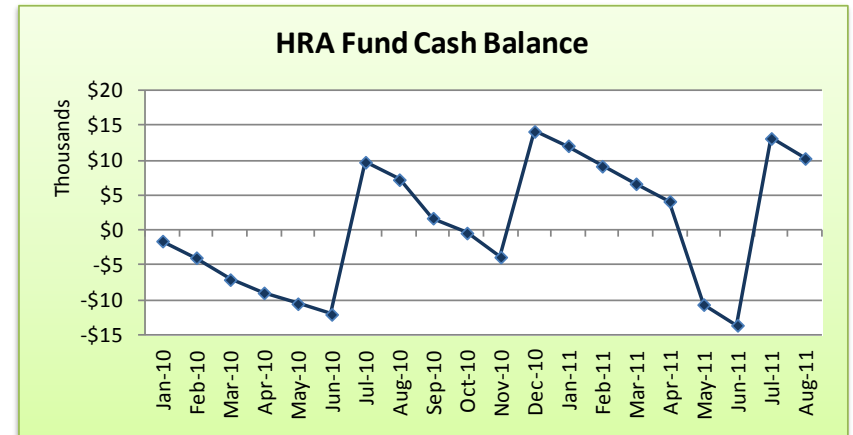
- First tax levy in 2010
- MVHC loss of \$1,965 for 2010 and estimated 2011 loss of \$2,141
- Levy authority for the HRA is outside the City's levy limit

Performance/History

- No significant history to report

Fund Goals/Targets

- Establish and maintain 5 months of operating coverage
- Monitor fund balance changes



Housing Redevelopment Authority	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Property Taxes	\$ -	\$ -	\$ 47,248	\$ 60,000	\$ 70,000	\$ 75,000	\$ 80,000	\$ 85,000	\$ 90,000
Total Revenue	-	-	47,248	60,000	70,000	75,000	80,000	85,000	90,000
Expense									
Community Development									
Personal Services	-	-	28,415	31,885	23,726	27,368	31,192	35,499	39,205
Contractual Services	-	-	4,852	30,000	30,000	32,000	32,000	32,000	33,000
Debt Service	-	-	14	-	-	-	-	-	-
Total Expense	-	-	33,281	61,885	53,726	59,368	63,192	67,499	72,205
Other Sources (Uses)									
Transfers In	-	-	-	10,390	-	-	-	-	-
Net Change	-	-	13,967	8,505	16,274	15,632	16,808	17,501	17,795
Fund Equity, beginning	-	-	-	13,967	22,472	38,746	54,378	71,186	88,687
Fund Equity, ending	\$ -	\$ -	\$ 13,967	\$ 22,472	\$ 38,746	\$ 54,378	\$ 71,186	\$ 88,687	\$ 106,482
Fund equity percent of expense			22.6%	41.8%	65.3%	86.1%	105.5%	122.8%	140.1%
Months of operating coverage			2.7	5.0	7.8	10.3	12.7	14.7	16.8
Taxable Value (millions)			\$ 29.6	\$ 27.6	\$ 25.4	\$ 24.9	\$ 24.9	\$ 24.9	\$ 25.5
Tax Rate (HRA)			0.169%	0.198%	0.254%	0.279%	0.299%	0.319%	0.332%
Change in tax rate				17.2%	28.3%	9.8%	7.2%	6.7%	4.1%
Average annual percent change									
Expense percent change				85.9%	-13.2%	10.5%	6.4%	6.8%	7.0%
Average annual percent change									
Market value homestead credit loss			\$ 1,965	\$ 2,141	\$ -	\$ -	\$ -	\$ -	\$ -

Slice of Shoreview Fund Operations

The Slice of Shoreview Fund accounts for costs, donations, sponsorships and vendor fees associated with the Slice of Shoreview event.

Impacts

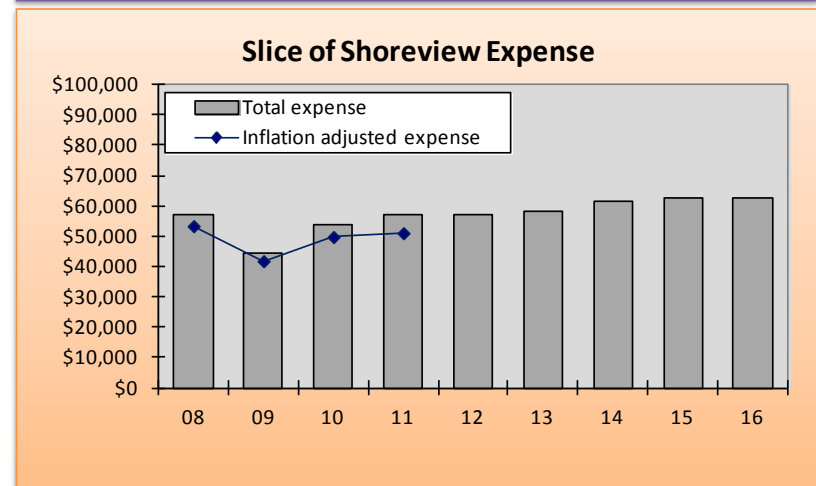
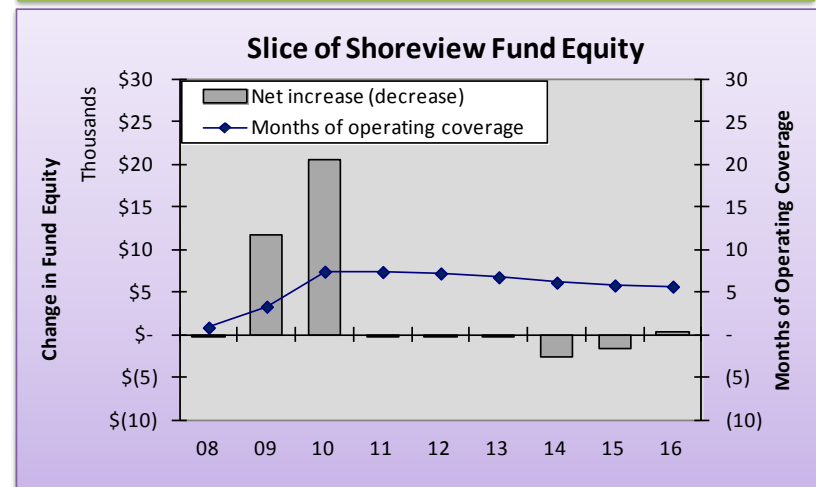
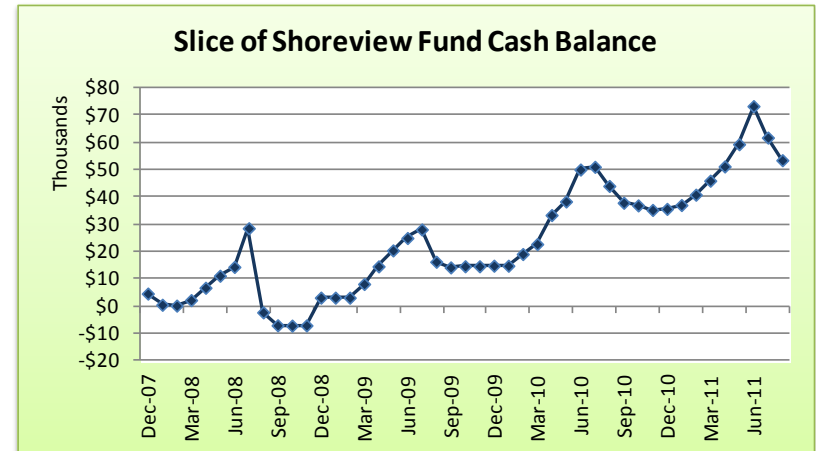
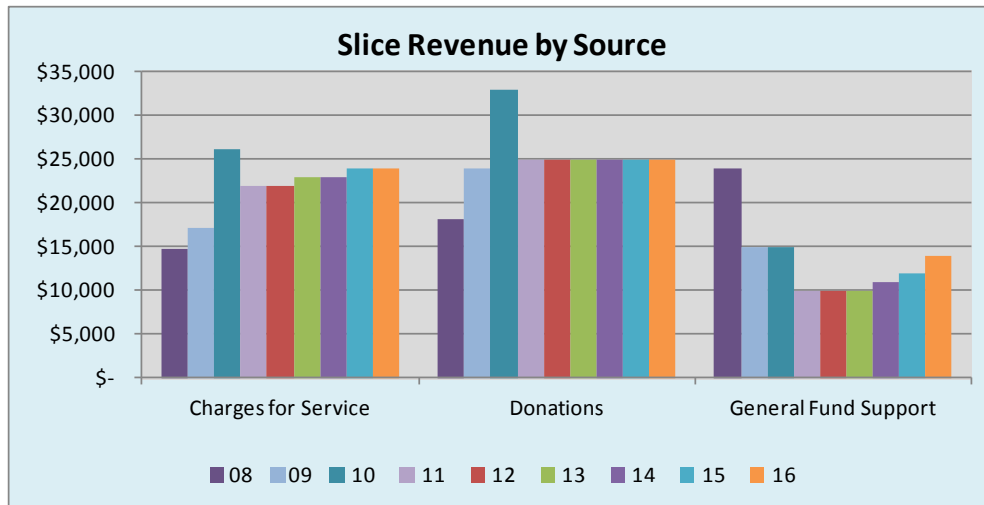
- For 2012, support for the event is provided by donations (44%), fees (39%), and General Fund support (17%)

Performance/History

- Temporary periods of cash deficits in 2008 (shown in graph at right)
- Improved operating performance in the last 3 years
- Operating coverage between 1 to 7 months

Fund Goals/Targets

- Preserve 6 to 12 months of operating coverage to ensure adequate coverage of event costs in the event of a decline in donations
- Hold General Fund support to the rate of inflation or less



Slice of Shoreview Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Charges for Services	\$ 14,649	\$ 17,137	\$ 26,142	\$ 22,000	\$ 22,000	\$ 23,000	\$ 23,000	\$ 24,000	\$ 24,000
Interest Earnings	144	222	388	-	-	-	-	-	-
Other Revenues (donations)	18,112	23,874	32,866	25,000	25,000	25,000	25,000	25,000	25,000
Total Revenue	32,905	41,233	59,396	47,000	47,000	48,000	48,000	49,000	49,000
Expense									
General Government	57,024	44,537	53,879	57,200	57,200	58,200	61,700	62,750	62,750
Total Expense	57,024	44,537	53,879	57,200	57,200	58,200	61,700	62,750	62,750
Other Sources (Uses)									
Transfers In	24,000	15,000	15,000	10,000	10,000	10,000	11,000	12,000	14,000
Net Change	(119)	11,696	20,517	(200)	(200)	(200)	(2,700)	(1,750)	250
Fund Equity, beginning	3,253	3,134	14,830	35,347	35,147	34,947	34,747	32,047	30,297
Fund Equity, ending	\$ 3,134	\$ 14,830	\$ 35,347	\$ 35,147	\$ 34,947	\$ 34,747	\$ 32,047	\$ 30,297	\$ 30,547
Fund equity percent of expense	7.0%	27.5%	61.8%	61.4%	60.0%	56.3%	51.1%	48.3%	47.2%
Months of operating coverage	0.8	3.3	7.4	7.4	7.2	6.8	6.1	5.8	5.7
Expense percent change	-1.1%	-21.9%	21.0%	6.2%	0.0%	1.7%	6.0%	1.7%	0.0%
Annual average percent change				1.0%					1.9%

Water Fund Operations

The Water Fund accounts for the distribution of water to residences and businesses, and operation and maintenance of the water system. Fluctuations in water consumption and revenue are expected from year to year, therefore projections use a “base year” approach to estimate gallons sold. Rates are set to support operating costs in a typical “base year”, removing the impact of drought or high rainfall years.

Impacts

- Average household water consumption continues to decline
- Average winter household consumption in the last 5 years is about 6% lower than the previous 5-year period
- Water use fluctuates significantly based on rainfall during the growing season
- Contributions for maintenance center debt payments began in 2011

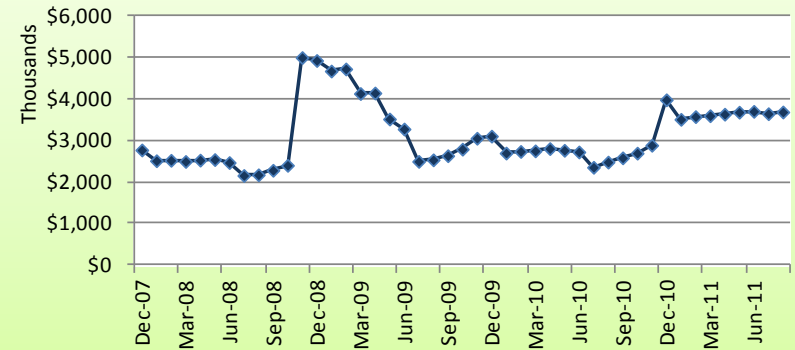
Performance/History

- Operating coverage equal to 11 to 14 months of operating and capital costs
- Stable cash balances (apart from spending down of bond proceeds)
- Operating income generated each year, yet the fund experiences an overall decrease in net assets in 2010 and is expected for 2011
- Projected base gallons reduced from 950 million gallons in the last FYOP to 875 million gallons

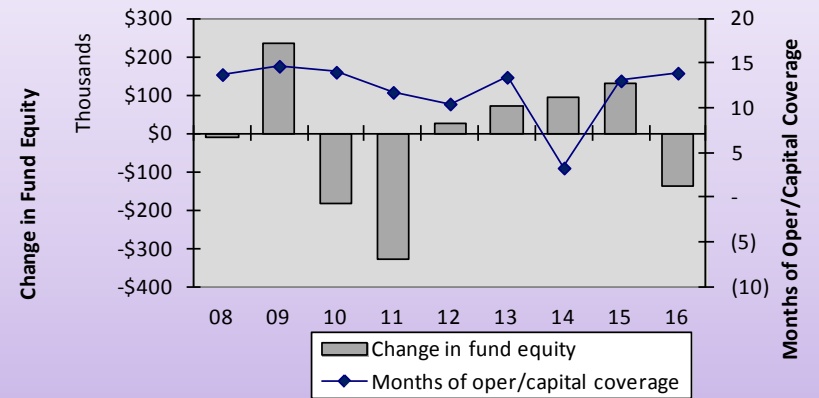
Fund Goals/Targets

- Preserve a minimum of 8 months of operating coverage (exempt of anticipated water treatment plant costs, which cause a temporary drop in this indicator for 2014)
- Increase water rates to achieve overall gain for 2012 (at revised base gallons)
- Begin adjusting water rates two years before the scheduled addition of a water treatment plant in 2015

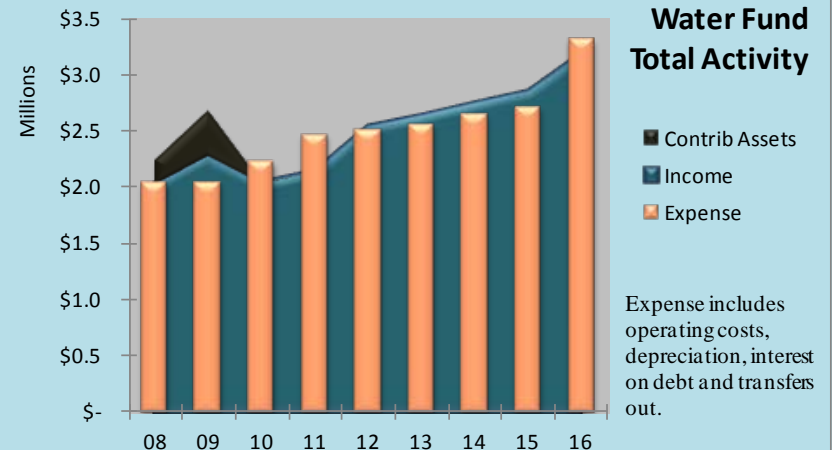
Water Fund Cash Balance



Water Fund Equity



Water Fund Total Activity



Water Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Special Assessments	\$ 1,317	\$ 1,650	\$ 1,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility Charges	1,846,575	2,108,805	1,901,006	2,070,000	2,460,000	2,555,000	2,660,000	2,765,000	3,095,000
Late Fees/Utility Charges	36,808	41,370	42,255	-	-	-	-	-	-
Water Facility Charges	13,750	4,400	6,168	4,000	4,000	4,000	4,000	4,000	4,000
Other Charges	17,510	55,197	13,913	4,500	4,800	5,000	5,000	5,000	5,000
Other Revenues	4,400	14,408	44,846	-	-	-	-	-	-
Total Revenue	1,920,360	2,225,830	2,009,301	2,078,500	2,468,800	2,564,000	2,669,000	2,774,000	3,104,000
Expense									
Enterprise Operations	1,329,618	1,245,066	1,339,306	1,432,867	1,455,461	1,488,456	1,539,744	1,585,505	1,581,652
Miscellaneous	362	-	-	-	-	-	-	-	-
Depreciation	465,963	476,849	543,688	605,000	630,000	637,000	644,000	650,000	800,000
Total Expense	1,795,943	1,721,915	1,882,994	2,037,867	2,085,461	2,125,456	2,183,744	2,235,505	2,381,652
Operating Income (Loss)	124,417	503,915	126,307	40,633	383,339	438,544	485,256	538,495	722,348
Other Sources (Uses)									
Interest Earnings	112,657	56,635	32,722	50,000	55,000	55,000	60,000	60,000	65,000
Contributed Capital Assets	212,000	396,278	7,246	-	-	-	-	-	-
Intergovernmental	-	-	557	13,370	13,200	12,940	12,620	12,200	11,630
Debt Service	(126,890)	(197,535)	(192,894)	(205,944)	(184,287)	(171,435)	(185,837)	(173,162)	(599,619)
Transfers Out	(120,000)	(130,000)	(151,037)	(225,000)	(240,000)	(262,500)	(277,500)	(307,500)	(337,500)
Net Change	202,184	629,293	(177,099)	(326,941)	27,252	72,549	94,539	130,033	(138,141)
Fund Equity, beginning	12,024,530	12,226,714	12,856,007	12,678,908	12,351,967	12,379,219	12,451,768	12,546,307	12,676,340
Fund Equity, ending	\$ 12,226,714	\$ 12,856,007	\$ 12,678,908	\$ 12,351,967	\$ 12,379,219	\$ 12,451,768	\$ 12,546,307	\$ 12,676,340	\$ 12,538,199
Months of oper/cap coverage	13.7	14.7	14.0	11.7	10.4	13.4	3.3	13.0	13.9
Cash balance	\$ 4,923,229	\$ 3,103,590	\$ 3,977,866	\$ 2,862,641	\$ 2,546,198	\$ 3,310,546	\$ 3,317,491	\$ 4,113,743	\$ 4,065,646
Capital costs	\$ 326,278	\$ 2,253,239	\$ 314,400	\$ 942,900	\$ 416,000	\$ 365,500	\$ 311,500	\$ 9,363,800	\$ 470,000
Unspent bond proceeds	\$ 2,116,195	\$ -	\$ 939,784	\$ -					
General transfer percent of assets	0.57%	0.55%	0.60%	0.64%	0.68%	0.73%	0.78%	0.66%	0.73%
	weighted	weighted		blended	blended				
Rate Increase (middle tier)	8.0%	12.0%	5.0%	10.0%	15.0%	4.1%	4.1%	4.1%	12.0%
Change in utility charge revenue	2.8%	14.2%	-9.9%	8.9%	18.8%	3.9%	4.1%	3.9%	11.9%
Debt issued	\$ 2,365,000	\$ -	\$ 1,240,000	\$ -	\$ -	\$ 790,000	\$ -	\$ 9,780,000	\$ 480,000
Debt payments (principal)	\$ 275,000	\$ 315,000	\$ 425,000	\$ 460,000	\$ 550,000	\$ 365,000	\$ 415,000	\$ 395,000	\$ 715,000
Debt balance (year end)	\$ 5,210,000	\$ 4,895,000	\$ 5,710,000	\$ 5,250,000	\$ 4,700,000	\$ 5,125,000	\$ 4,710,000	\$ 14,095,000	\$ 13,860,000
Gallons of water sold (000)	973,106	1,066,008	910,803	881,146	875,156	875,000	875,000	875,000	875,000
Quarterly residential gallons (avg)	20,650	22,263	18,536	17,500					
Quarterly multi-family gallons (avg)	8,776	8,687	9,405	9,168					

Sewer Fund Operations

The Sewer Fund accounts for the collection and treatment of wastewater (sewage) from homes and businesses throughout the City. Sewage is routed or pumped into facilities owned and operated by Metropolitan Council Environmental Services. Because sewage treatment costs are more than half of operating costs, rates are designed to charge high volume customers more because they contribute more flow to the system.

Impacts

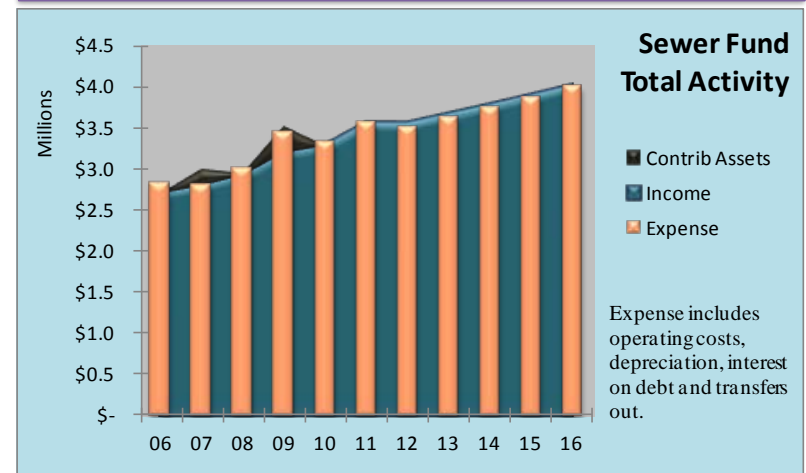
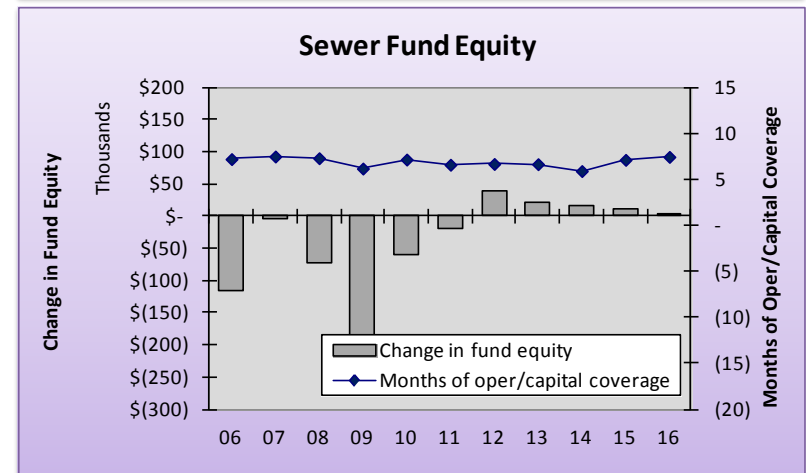
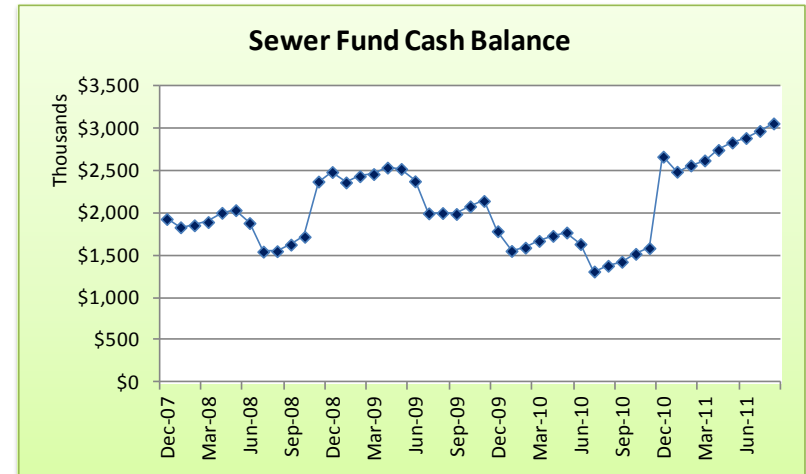
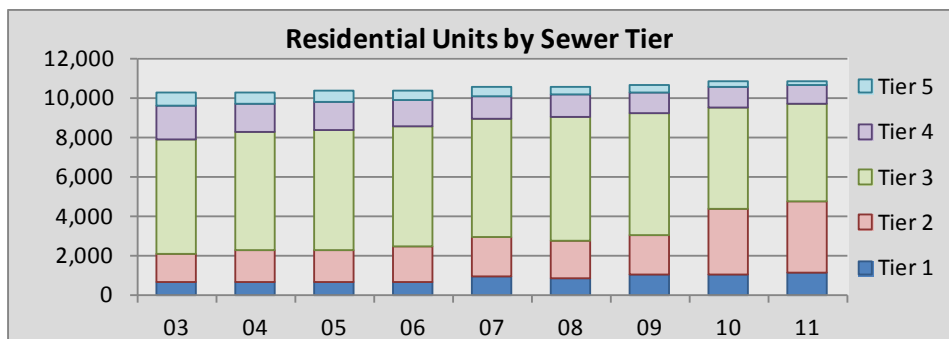
- Residential sewer bills are based on winter water consumption
- Average winter household consumption in the last 5 years is approximately 6% lower than the previous 5-year period
- Residential customers billed in the 3 lowest tiers are growing while customers billed in the 2 highest tiers are declining
- Inflow and infiltration elimination project completed in 2009 allows the City to avoid an annual sewage treatment surcharge
- Contributions for maintenance center debt payments began in 2011
- Sewage treatment costs decline for 2012, allowing the City to hold sewer rates constant and mitigate the impact of higher water rates

Performance/History

- Operating coverage equal to 6 to 7 months
- Stable cash balances (apart from spending down of bond proceeds)
- Operating losses in 1 of the last 4 years
- Decrease in overall net assets in 3 of the last 4 years

Fund Goals/Targets

- Preserve 6 months operating and capital coverage



Sewer Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Special Assessments	\$ 1,434	\$ 1,863	\$ 1,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	511	180	2,365	200	200	200	200	200	200
Utility Charges	2,791,838	3,054,922	3,158,442	3,500,000	3,500,000	3,605,000	3,711,000	3,822,000	3,936,000
Late Fees/Utility Charges	49,240	62,070	69,985	-	-	-	-	-	-
Sewer Facility Charges	4,125	2,475	1,650	3,000	4,000	4,000	4,000	4,000	4,000
Other Charges	1,852	29,957	20,665	6,500	2,500	2,500	2,500	2,500	2,500
Other Revenues	-	138	-	-	-	-	-	-	-
Total Revenue	2,849,000	3,151,605	3,254,199	3,509,700	3,506,700	3,611,700	3,717,700	3,828,700	3,942,700
Expense									
Enterprise Operations	2,590,220	3,013,765	2,869,607	2,996,432	2,942,296	3,055,226	3,170,977	3,287,821	3,390,850
Miscellaneous	362	-	-	-	-	-	-	-	-
Depreciation	251,630	265,557	279,711	305,000	300,000	310,000	315,000	320,000	320,000
Total Expense	2,842,212	3,279,322	3,149,318	3,301,432	3,242,296	3,365,226	3,485,977	3,607,821	3,710,850
Operating Income (Loss)	6,788	(127,717)	104,881	208,268	264,404	246,474	231,723	220,879	231,850
Other Sources (Uses)									
Interest Earnings	74,581	35,907	19,357	25,000	25,000	30,000	35,000	40,000	45,000
Contributed Capital Assets	24,000	318,200	-	-	-	-	-	-	-
Intergovernmental	-	-	444	10,650	10,515	10,310	10,050	9,720	9,290
Debt Service	(34,913)	(50,950)	(57,495)	(77,228)	(72,843)	(68,884)	(64,018)	(60,138)	(83,867)
Transfers Out	(120,000)	(120,000)	(127,037)	(187,000)	(188,000)	(196,500)	(197,500)	(198,500)	(199,500)
Net Change	(49,544)	55,440	(59,850)	(20,310)	39,076	21,400	15,255	11,961	2,773
Fund Equity, beginning	7,232,566	7,183,022	7,238,462	7,178,612	7,158,302	7,197,378	7,218,778	7,234,033	7,245,994
Fund Equity, ending	\$ 7,183,022	\$ 7,238,462	\$ 7,178,612	\$ 7,158,302	\$ 7,197,378	\$ 7,218,778	\$ 7,234,033	\$ 7,245,994	\$ 7,248,767
Months of oper/cap coverage	7.3	6.2	7.2	6.6	6.7	6.6	5.9	7.1	7.4
Cash balance	\$ 2,483,341	\$ 1,784,149	\$ 2,664,496	\$ 1,963,697	\$ 2,082,738	\$ 2,141,965	\$ 2,191,617	\$ 2,486,235	\$ 2,599,741
Capital costs	\$ 96,295	\$ 633,862	\$ 134,201	\$ 905,800	\$ 74,000	\$ 115,500	\$ 118,750	\$ 590,300	\$ 197,000
Unspent bond proceeds	\$ 509,212	\$ -	\$ 874,325	\$ -					
General transfer percent of assets	1.08%	0.99%	1.04%	1.42%	1.41%	1.46%	1.45%	1.40%	1.39%
Rate Increase (middle tier)	6.2%	10.0%	6.0%	10.0%	0.0%	3.0%	3.0%	3.0%	3.0%
Change in utility charge revenue	5.5%	9.4%	3.4%	10.8%	0.0%	3.0%	2.9%	3.0%	3.0%
Debt issued	\$ 580,000	\$ -	\$ 985,000	\$ -	\$ -	\$ -	\$ -	\$ 720,000	\$ 200,000
Debt payments (principal)	\$ 45,000	\$ 55,000	\$ 80,000	\$ 90,000	\$ 145,000	\$ 155,000	\$ 160,000	\$ 165,000	\$ 210,000
Debt balance (year end)	\$ 1,370,000	\$ 1,315,000	\$ 2,220,000	\$ 2,130,000	\$ 1,985,000	\$ 1,830,000	\$ 1,670,000	\$ 2,225,000	\$ 2,215,000
Commercial gallons (000)	92,068	89,834	89,289	86,500	86,500	86,500	86,500	86,500	86,500
Winter gallons-residential (avg)	13,438	14,837	13,432	12,931					
Winter gallons-multi-family (avg)			8,756	8,426					

Surface Water Management Fund Operations

The Surface Water Management Fund accounts for the City's storm sewers and surface water ponds. The storm system collects and directs surface water runoff and provides protections for ground water quality.

Impacts

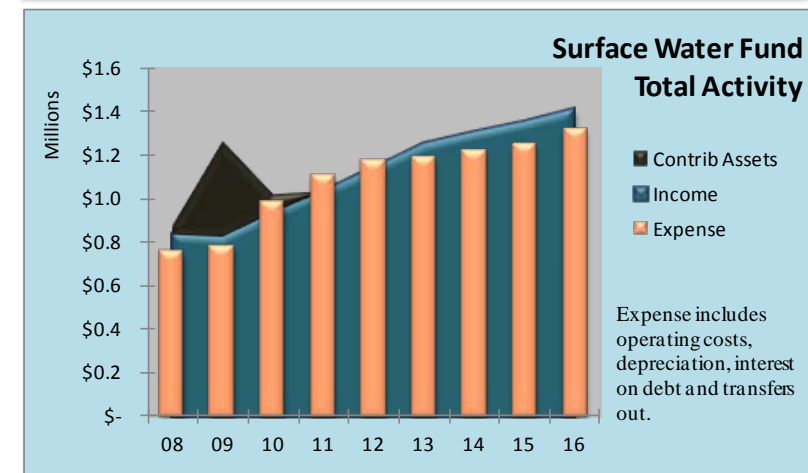
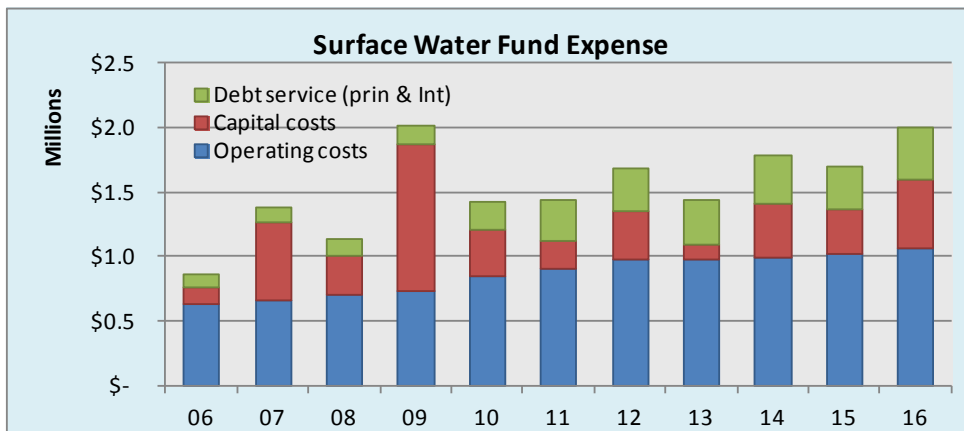
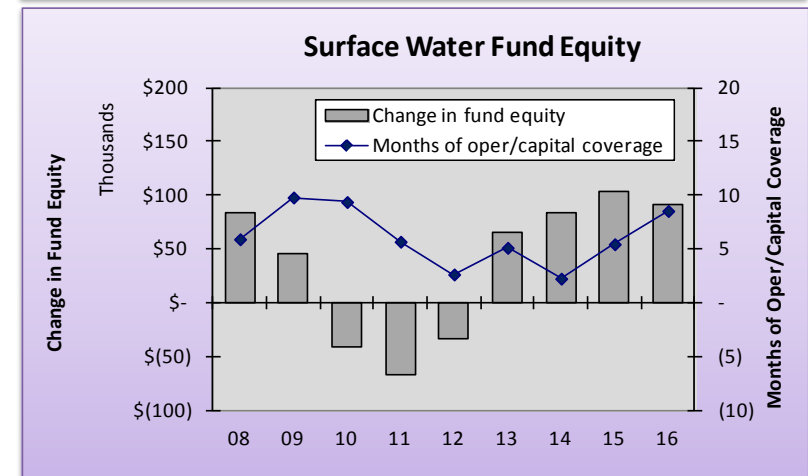
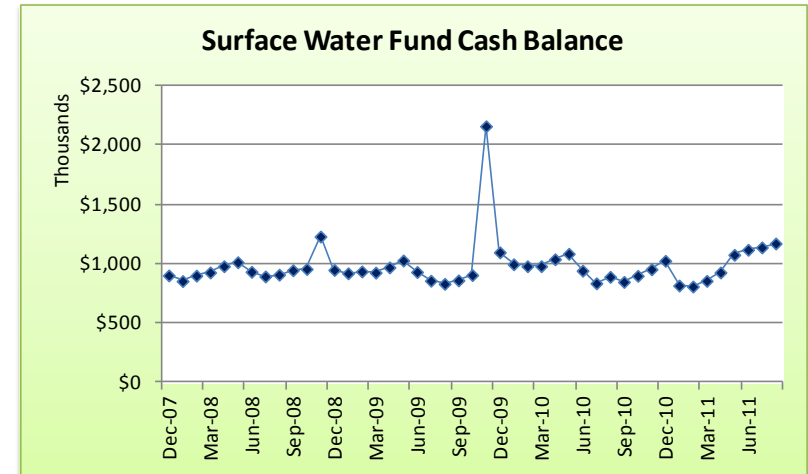
- Contributions for maintenance center debt payments began in 2011

Performance/History

- Operating coverage equal to 5 to 9 months
- Stable cash balances
- Operating increase in each of the last 4 years
- Decrease in overall net assets in 1 of the last 4 years

Fund Goals/Targets

- Establish and preserve 6 months operating and capital coverage (excluding timing differences for project costs and debt issuance)
- Expected operating gain in each of the next 5 years, and an overall loss in net assets for 2011 and 2012
- Monitor cash and equity balances closely
- Increase rates to achieve overall gain within 2 years



Surface Water Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Special Assessments	\$ 859	\$ 937	\$ 534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility Charges	712,915	784,162	865,432	960,600	1,056,000	1,162,000	1,212,000	1,264,000	1,318,000
Late Fees/Utility Charges	11,051	13,379	14,913	-	-	-	-	-	-
Snail Lake Augmentation Chgs	12,885	10,635	38,835	46,109	48,462	48,101	47,643	48,885	48,463
Other Charges	12,258	-	6,440	5,000	5,000	5,000	5,000	5,000	5,000
Other Revenues	-	-	-	-	-	-	-	-	-
Total Revenue	749,968	809,113	926,154	1,011,709	1,109,462	1,215,101	1,264,643	1,317,885	1,371,463
Expense									
Enterprise Operations	545,758	565,252	656,073	702,138	760,233	756,856	763,550	788,684	819,580
Miscellaneous	362	-	-	-	-	-	-	-	-
Depreciation	159,159	169,816	192,558	208,000	218,000	223,000	228,000	235,000	240,000
Total Expense	705,279	735,068	848,631	910,138	978,233	979,856	991,550	1,023,684	1,059,580
Operating Income (Loss)	44,689	74,045	77,523	101,571	131,229	235,245	273,093	294,201	311,883
Other Sources (Uses)									
Interest Earnings	37,161	17,425	11,235	16,000	24,000	28,000	31,000	25,000	30,000
Contributed Capital Assets	37,063	430,543	79,589	-	-	-	-	-	-
Intergovernmental	50,000	-	161	3,860	3,815	3,750	3,660	3,550	3,400
Debt Service	(48,344)	(26,179)	(90,408)	(92,047)	(85,602)	(75,594)	(88,060)	(77,089)	(101,728)
Transfers Out	-	(20,000)	(40,000)	(97,000)	(107,000)	(126,900)	(136,900)	(141,900)	(151,900)
Net Change	120,569	475,834	38,100	(67,616)	(33,558)	64,501	82,793	103,762	91,655
Fund Equity, beginning	6,772,004	6,892,573	7,368,407	7,406,507	7,338,891	7,305,333	7,369,834	7,452,627	7,556,389
Fund Equity, ending	\$6,892,573	\$7,368,407	\$7,406,507	\$7,338,891	\$7,305,333	\$7,369,834	\$7,452,627	\$7,556,389	\$7,648,044
Months of oper/capital coverage	5.9	9.8	9.4	5.7	2.6	5.1	2.2	5.4	8.5
Cash balance	\$ 946,904	\$ 1,095,093	\$ 1,023,689	\$ 728,612	\$ 285,988	\$ 698,691	\$ 296,842	\$ 841,623	\$ 1,168,159
Capital costs	\$ 309,673	\$ 1,142,600	\$ 362,410	\$ 211,667	\$ 369,000	\$ 121,400	\$ 424,100	\$ 345,900	\$ 541,900
Unspent bond proceeds	\$ 8,977	\$ 55,314	\$ -						
General transfer percent of assets		0.20%	0.38%	0.46%	0.53%	0.64%	0.69%	0.71%	0.73%
Rate Increase (homes)	10.1%	10.0%	10.0%	10.0%	10.0%	10.0%	4.3%	4.3%	4.3%
Change in utility charge revenue	10.2%	10.0%	10.4%	11.0%	9.9%	10.0%	4.3%	4.3%	4.3%
Debt issued	\$ 230,000	\$ 1,180,000	\$ 355,000	\$ -	\$ -	\$ 510,000	\$ -	\$ 810,000	\$ 840,000
Debt payments (principal)	\$ 80,000	\$ 110,000	\$ 130,000	\$ 225,000	\$ 255,000	\$ 260,000	\$ 285,000	\$ 255,000	\$ 300,000
Debt balance (year end)	\$1,485,000	\$2,555,000	\$2,780,000	\$2,555,000	\$2,300,000	\$2,550,000	\$2,265,000	\$2,820,000	\$3,360,000

Street Lighting Fund Operations

The Street Lighting Fund accounts for street light operations in support of safe vehicle and pedestrian traffic throughout the community. The system includes lights owned by Xcel Energy and the City.

Impacts

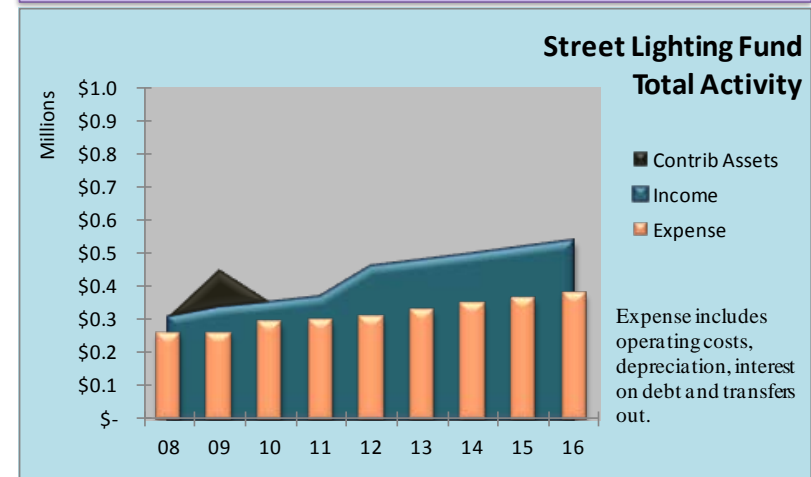
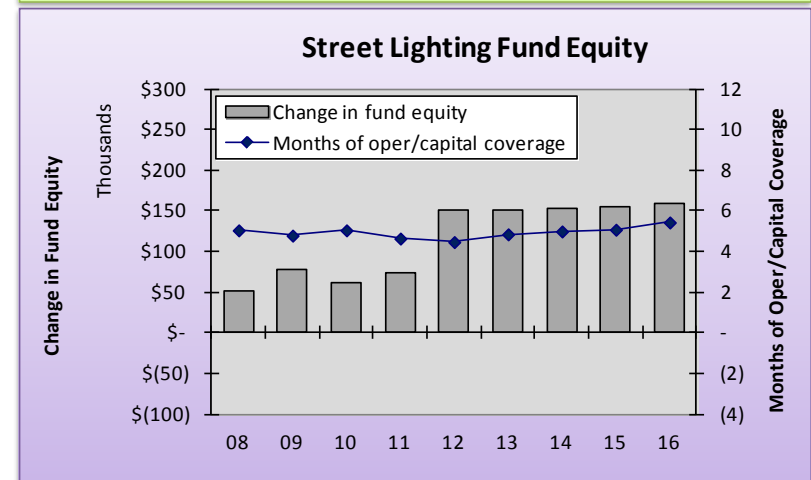
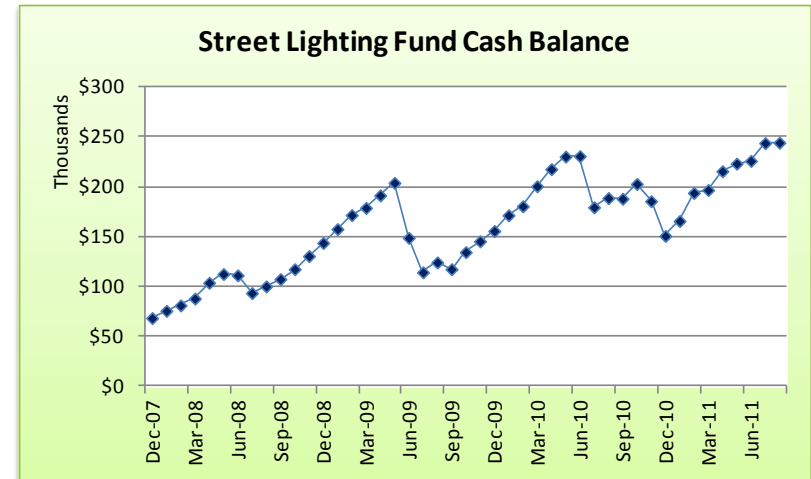
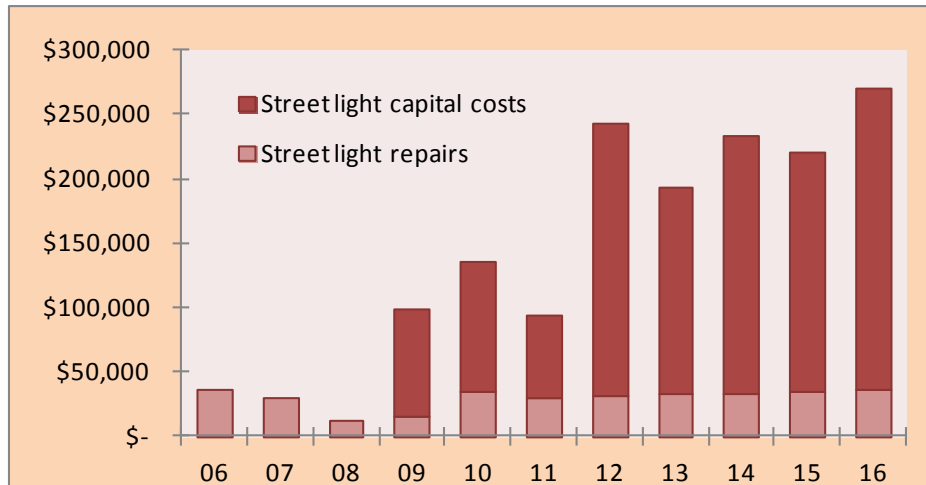
- Street light repair and replacement costs place increasing demands on street light fees, largely due to the scheduled replacement of about 30 street lights per year
- Contributions for maintenance center debt repayment began in 2011

Performance/History

- Fund was created in 2004
- Operating coverage equal to 4 to 5 months
- Operating gain and an increase in net assets in each of the last 4 years

Fund Goals/Targets

- Establish and preserve 6 months operating and capital coverage
- Expected operating and overall gain in each of the next 5 years, which is needed to offset anticipated capital costs (street light replacements)



Street Lighting Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Special Assessments	\$ 86	\$ 144	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility Charges	297,759	327,978	341,265	365,000	456,000	474,000	493,000	513,000	533,000
Late Fees/Utility Charges	4,841	5,925	6,955	-	-	-	-	-	-
Other Revenues	1,011	-	466	500	500	500	500	500	500
Total Revenue	303,697	334,047	348,778	365,500	456,500	474,500	493,500	513,500	533,500
Expense									
Enterprise Operations	218,276	217,103	245,207	242,099	251,740	259,451	267,096	276,186	285,166
Miscellaneous	-	-	26	-	-	-	-	-	-
Depreciation	38,825	38,353	37,911	40,000	40,000	48,000	55,000	60,600	65,000
Total Expense	257,101	255,456	283,144	282,099	291,740	307,451	322,096	336,786	350,166
Operating Income (Loss)	46,596	78,591	65,634	83,401	164,760	167,049	171,404	176,714	183,334
Other Sources (Uses)									
Interest Earnings	3,982	2,445	2,221	2,500	2,500	2,700	2,700	3,000	3,000
Contributed Capital Assets	-	110,000	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	(3,000)	(6,000)	(12,600)	(15,600)	(19,000)	(22,000)	(24,000)	(26,500)
Net Change	50,578	188,036	61,855	73,301	151,660	150,749	152,104	155,714	159,834
Fund Equity, beginning	410,732	461,310	649,346	711,201	784,502	936,162	1,086,911	1,239,015	1,394,729
Fund Equity, ending	\$ 461,310	\$ 649,346	\$ 711,201	\$ 784,502	\$ 936,162	\$ 1,086,911	\$ 1,239,015	\$ 1,394,729	\$ 1,554,563
Months of oper/capital coverage	5.0	4.8	5.0	4.6	4.5	4.8	5.0	5.1	5.4
Cash balance	\$ 143,557	\$ 155,535	\$ 150,597	\$ 200,484	\$ 181,144	\$ 219,893	\$ 226,997	\$ 258,311	\$ 249,145
Capital costs	\$ -	\$ 82,981	\$ 100,799	\$ 63,450	\$ 211,000	\$ 160,000	\$ 200,000	\$ 185,000	\$ 234,000
General transfer percent of assets	0.00%	0.22%	0.41%	0.60%	0.70%	0.76%	0.83%	0.85%	0.83%
Rate Increase	30.0%	10.1%	4.0%	5.0%	25.0%	4.0%	4.0%	4.0%	4.0%

Central Garage Fund Operations

The Central Garage Fund accounts for the operation, replacement and maintenance of the central garage facility (maintenance center) and all equipment. City services supported by the facility pay inter-fund charges that are designed to recover operating costs and provide for future replacements.

Impacts

- Capital costs place increasing demands on inter-fund charges
- Fuel costs doubled from 2005 to 2009, declined sharply in 2010, and are expected to rise between 2% and 4% in the future
- Maintenance center renovation completed in 2010 (bond proceeds received in March of 2010)
- Debt payments for maintenance center debt began in 2011

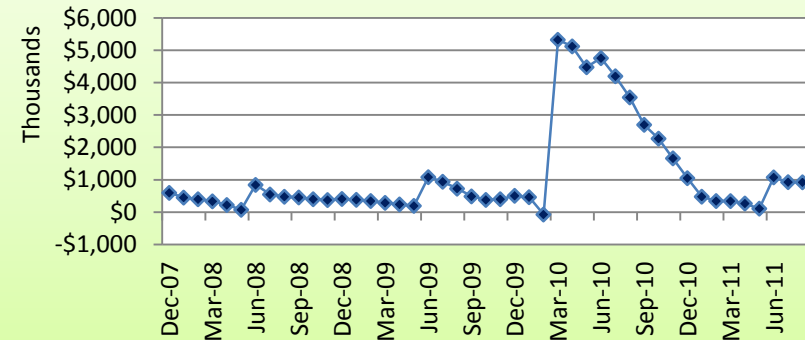
Performance/History

- Operating coverage equal to 3 to 7 months (excluding capital costs for the maintenance center addition)
- Temporary periods of cash decline due to the timing of inter-fund charges and capital costs
- Operating and overall gain in each of the last 4 years

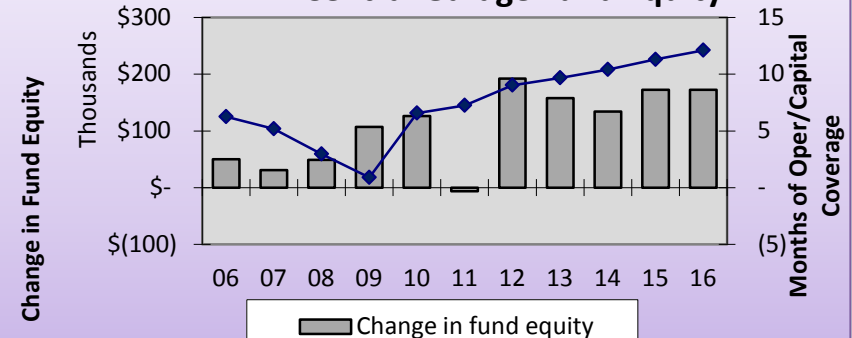
Fund Goals/Targets

- Preserve 6 to 12 months of operating and capital coverage
- Establish inter-fund charges sufficient to generate an operating gain in each of the next 5 years
- Maintain sufficient cash balance to support debt payments prior to receipt of the federal interest credit (the credit is used for a subsequent debt payment)

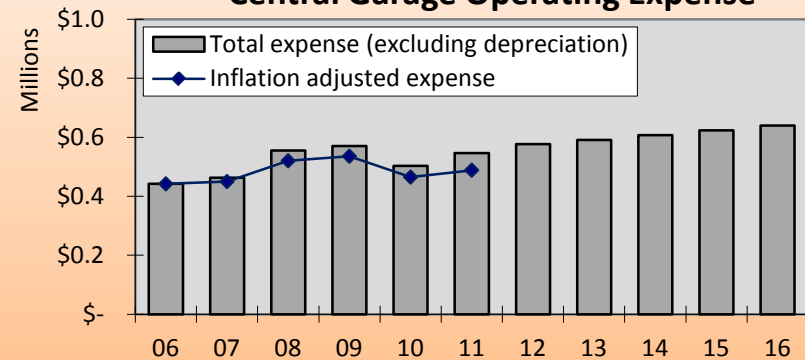
Central Garage Fund Cash Balance



Central Garage Fund Equity



Central Garage Operating Expense



Central Garage Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Property Taxes	\$ -	\$ -	\$ -	\$ 98,000	\$ 216,000	\$ 184,000	\$ 184,000	\$ 208,000	\$ 208,000
Central Garage Charges	903,653	939,716	1,043,775	1,109,080	1,137,680	1,153,020	1,181,090	1,192,490	1,192,790
Total Revenue	903,653	939,716	1,043,775	1,207,080	1,353,680	1,337,020	1,365,090	1,400,490	1,400,790
Expense									
Central Garage	555,396	569,884	502,790	546,685	576,564	590,407	607,605	623,481	639,873
Depreciation	321,691	334,057	343,307	646,000	673,000	696,000	716,000	715,000	720,000
Total Expense	877,087	903,941	846,097	1,192,685	1,249,564	1,286,407	1,323,605	1,338,481	1,359,873
Operating Income (Loss)	26,566	35,775	197,678	14,395	104,116	50,613	41,485	62,009	40,917
Other Sources (Uses)									
Interest Earnings	16,679	8,532	32,238	25,000	22,000	22,000	22,000	26,000	28,000
Other Revenues	-	2,881	945	-	-	-	-	-	5,000
Sale of Asset-Gain (Loss)	5,483	59,686	914	37,000	12,000	41,000	22,000	34,000	51,000
Contributed Capital Assets	-	-	20,750	-	-	-	-	-	-
Intergovernmental	-	-	94,406	-	120,715	86,530	85,570	83,920	81,840
Debt Service	-	-	(199,899)	(250,112)	(247,157)	(243,128)	(238,054)	(234,187)	(223,862)
Transfers In	-	-	-	180,600	180,600	200,900	200,900	200,900	200,900
Transfers Out	-	-	-	(13,000)	-	-	-	-	(11,000)
Net Change	48,728	106,874	147,032	(6,117)	192,274	157,915	133,901	172,642	172,795
Fund Equity, beginning	3,173,196	3,221,924	3,328,798	3,475,830	3,469,713	3,661,987	3,819,902	3,953,803	4,126,445
Fund Equity, ending	\$ 3,221,924	\$ 3,328,798	\$ 3,475,830	\$ 3,469,713	\$ 3,661,987	\$ 3,819,902	\$ 3,953,803	\$ 4,126,445	\$ 4,299,240
Months of oper/cap coverage [1]	3.0	0.9	6.6	7.2	9.0	9.7	10.4	11.3	12.1
Cash balance	\$ 407,962	\$ 505,373	\$ 1,049,876	\$ 1,212,962	\$ 1,540,885	\$ 1,666,564	\$ 1,795,696	\$ 1,977,292	\$ 2,133,967
Capital costs	\$ 503,511	\$ 751,727	\$ 5,775,049	\$ 462,798	\$ 511,500	\$ 518,000	\$ 505,000	\$ 497,000	\$ 506,000
Interfund charges percent change	19.3%	4.0%	11.1%	6.3%	2.6%	1.3%	2.4%	1.0%	0.0%
Average annual percent change				9.1%					1.2%
Debt issued	\$ -	\$ -	\$ 5,615,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt payments (principal)	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 245,000	\$ 245,000	\$ 250,000	\$ 255,000
Debt balance (year end)	\$ -	\$ -	\$ 5,615,000	\$ 5,615,000	\$ 5,515,000	\$ 5,270,000	\$ 5,025,000	\$ 4,775,000	\$ 4,520,000
[1] Excluding maintenance center expansion project									

Short-term Disability Fund Operations

The Short-term Disability Fund accounts for premiums received and losses incurred in providing short-term disability insurance benefits to regular employees on a self-insured basis. Monthly premiums are paid by employees through payroll deduction.

Impacts

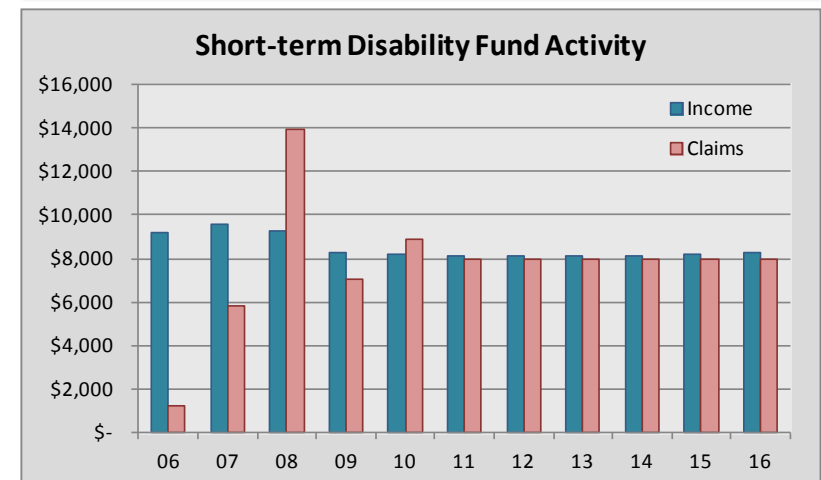
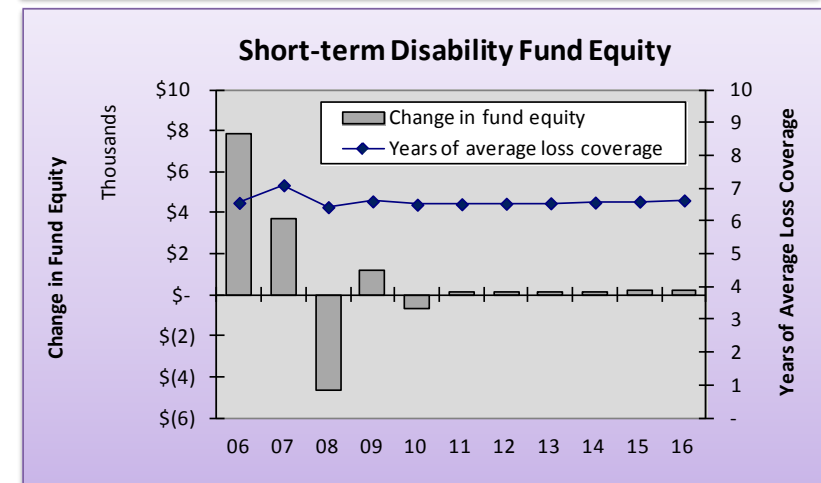
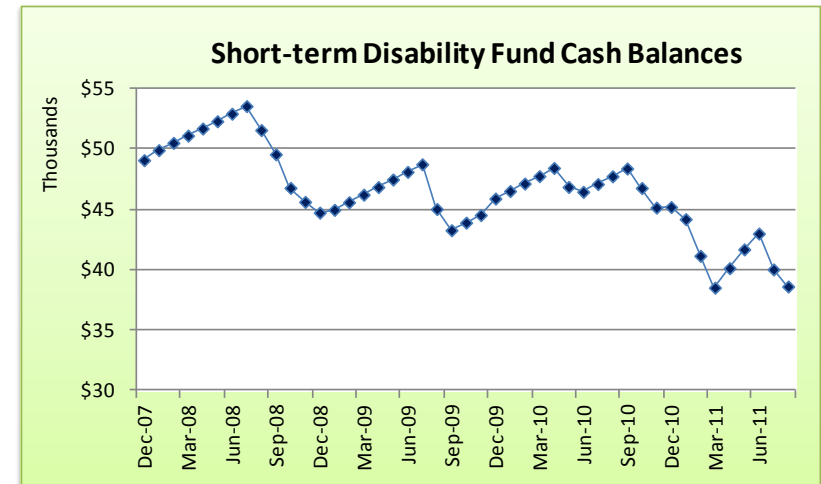
- Losses vary greatly between fiscal years, due to the number and length of employee absences resulting from temporary disabilities
- Monthly premiums have remained at \$8 per employee per month since 1999

Performance/History

- Net assets provide approximately 6 years of average loss coverage
- Premiums and fund balances have been sufficient to offset historical losses

Fund Goals/Targets

- Monitor and evaluate claims and net asset balances for potential premium adjustments (reductions or increases) in the future
- Preserve a minimum of 3 to 4 years average loss coverage



Short-term Disability Fund	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual	Actual	Actual	Estimate	Budget	Budget	Projected	Projected	Projected
Revenue									
Charges for Services	\$ 7,352	\$ 7,530	\$ 7,612	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Interest Earnings	1,942	733	545	600	600	600	650	700	750
Total Revenue	9,294	8,263	8,157	8,100	8,100	8,100	8,150	8,200	8,250
Expense									
Miscellaneous									
Personal Services (claims)	13,935	7,039	8,857	8,000	8,000	8,000	8,000	8,000	8,000
Total Expense	13,935	7,039	8,857	8,000	8,000	8,000	8,000	8,000	8,000
Net Change	(4,641)	1,224	(700)	100	100	100	150	200	250
Fund Equity, beginning	49,306	44,665	45,889	45,189	45,289	45,389	45,489	45,639	45,839
Fund Equity, ending	\$ 44,665	\$ 45,889	\$ 45,189	\$ 45,289	\$ 45,389	\$ 45,489	\$ 45,639	\$ 45,839	\$ 46,089
Years of average loss coverage [1]	6.4	6.6	6.5	6.5	6.5	6.5	6.6	6.6	6.6
[1] Using inflation adjusted average annual claims									
Monthly premium	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
Participants (annual average)	76.6	78.4	79.3	78.1	78.1	78.1	78.1	78.1	78.1

Liability Claims Fund Operations

The Liability Claims Fund accounts for losses not covered by insurance deductibles. Dividends received annually from the League of Minnesota Cities Insurance Trust are deposited into this fund to cover future losses.

Impacts

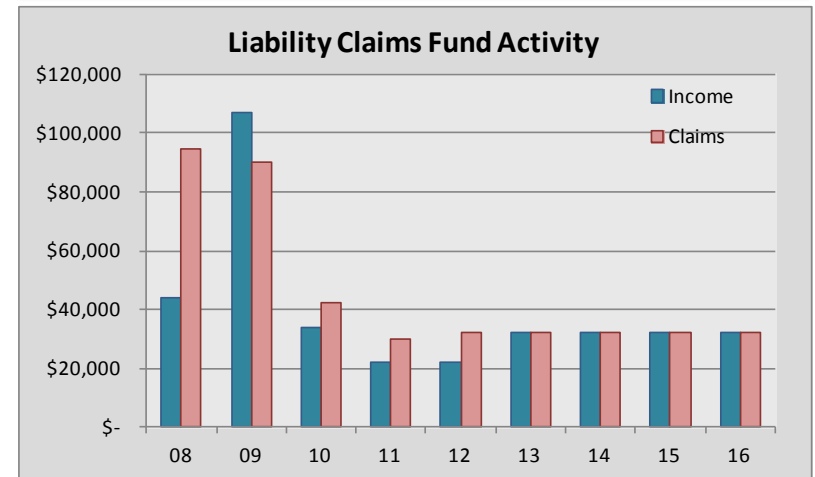
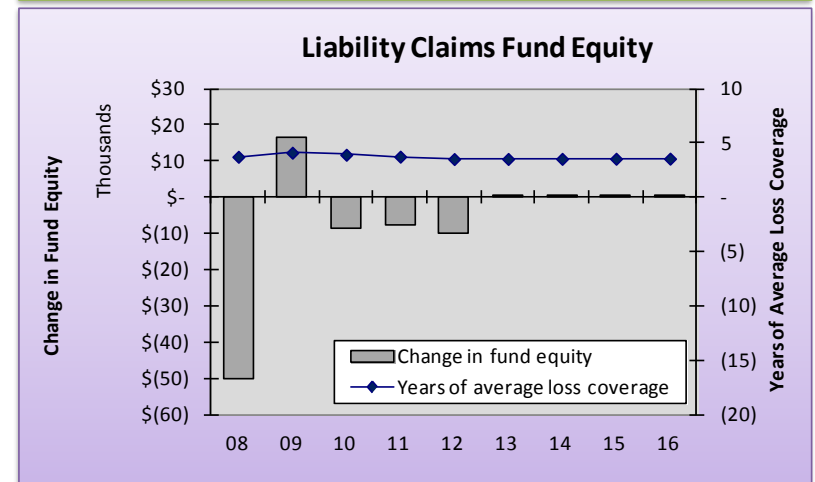
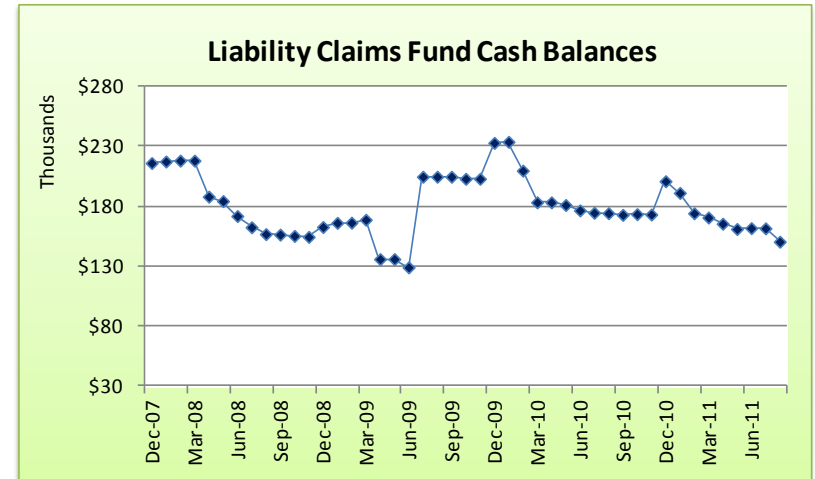
- Losses from internal and outside claims vary between fiscal years due to the number and type of claims

Performance/History

- Higher than normal losses in 2008 and 2009
- Insurance claims surcharge assessed to operating funds in 2009 to restore fund equity
- Net assets provide 3 to 4 years of average annual loss coverage

Fund Goals/Targets

- Monitor and evaluate claims and net asset balances for periodic claims surcharge
- Preserve a minimum of 2 years average annual loss coverage



Liability Claims Fund	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Projected	2015 Projected	2016 Projected
Revenue									
Charges for Services	\$ -	\$ 70,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Earnings	7,064	2,853	2,211	2,200	2,200	2,400	2,400	2,400	2,400
Other Revenues	37,064	33,865	31,760	20,000	20,000	30,000	30,000	30,000	30,000
Total Revenue	44,128	106,832	33,971	22,200	22,200	32,400	32,400	32,400	32,400
Expense									
Miscellaneous	94,513	90,112	42,392	30,000	32,000	32,000	32,000	32,000	32,000
Total Expense	94,513	90,112	42,392	30,000	32,000	32,000	32,000	32,000	32,000
Other Sources (Uses)									
Net Change	(50,385)	16,720	(8,421)	(7,800)	(9,800)	400	400	400	400
Fund Equity, beginning	217,126	166,741	183,461	175,040	167,240	157,440	157,840	158,240	158,640
Fund Equity, ending	\$ 166,741	\$ 183,461	\$ 175,040	\$ 167,240	\$ 157,440	\$ 157,840	\$ 158,240	\$ 158,640	\$ 159,040
Years of average loss coverage	3.7	4.1	3.9	3.8	3.5	3.5	3.5	3.6	3.6
[1] Using inflation adjusted average annual claims									

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Lake Johanna Fire Dept, non-emergency.....	651-481-7024